

City of Poquoson, Virginia

ANNUAL COMPREHENSIVE *Financial Report*

Fiscal Year July 1, 2023 - June 30, 2024

City of Poquoson, Virginia

Annual Comprehensive Financial Report

For the Fiscal Year Ended
June 30, 2024

Prepared by:

The Department of Finance

Tara Woodruff, Finance Director

City of Poquoson, Virginia

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Introductory Section



City of Poquoson, Virginia

Government Officials

City Council

Gordon C. Helsel, Jr., Mayor

Carey L. Freeman, Vice Mayor

Debra D. Bunting

Anjie L. Emmett

Keith A. Feigh

David A. Hux

Charles M. Southall, III

City Officials

J. Randall Wheeler, City Manager

Tonya O'Connell, CPA, Assistant City Manager

Tara Woodruff, Finance Director

Steven D. Clarke, Treasurer

Joseph Coccimiglio, Commissioner of the Revenue

D. Wayne Moore, City Attorney

School Board

Shannon L. Martin, Board Chair

Dr. Christopher Burbage, Board Vice Chair

Cameron J. Childress

Michael DuBose

Dr. Timothy A. Goodale

Jonathan T. Ingram

Kristen Jones

School Officials

Arty Tillett, Superintendent

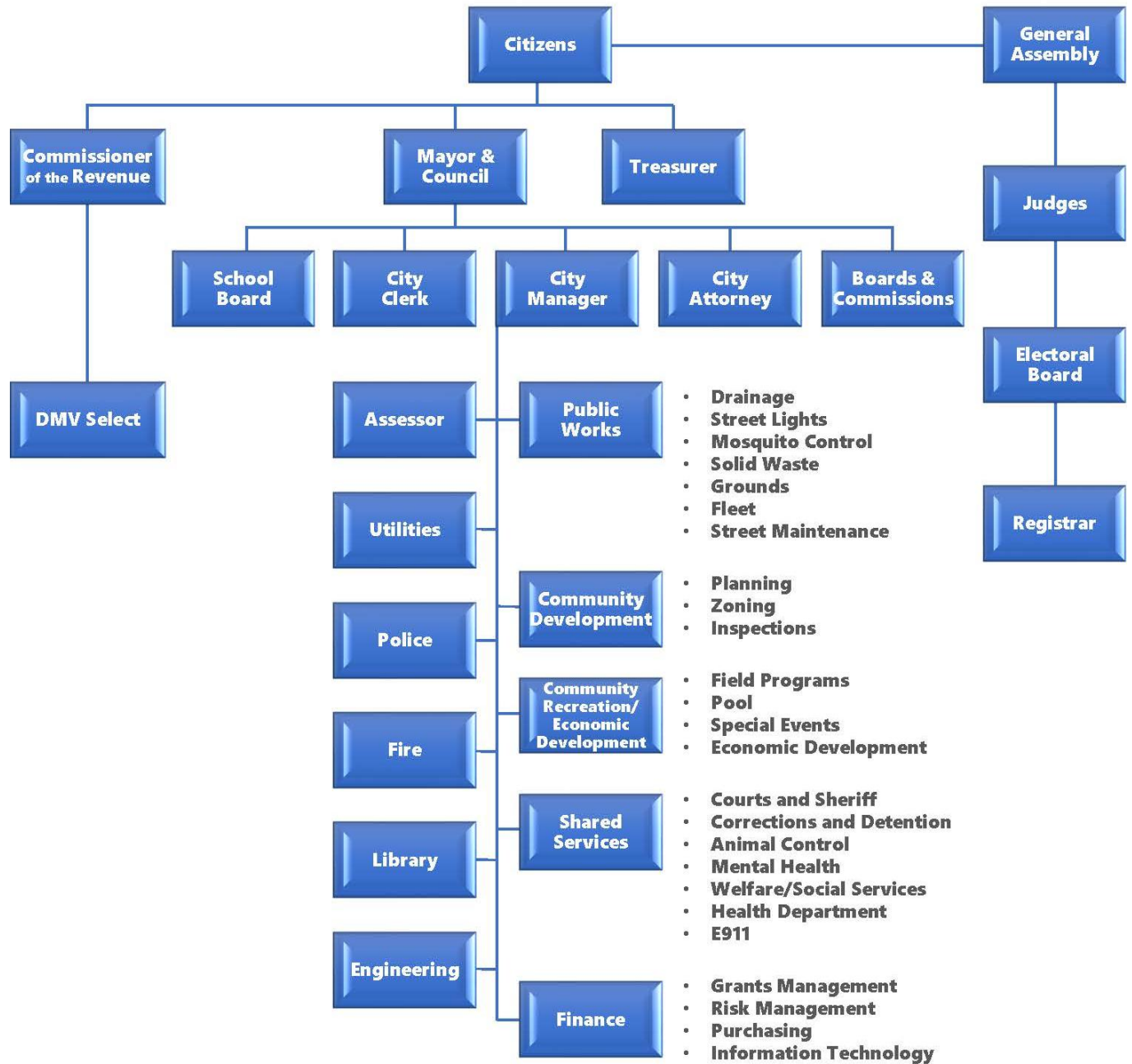
Amber Brown, Assistant Superintendent for Instruction and Support Services

Brandon Ratliff, Ed.D., Assistant Superintendent for Operations

Tracy Spence, CPA, Executive Director of Finance

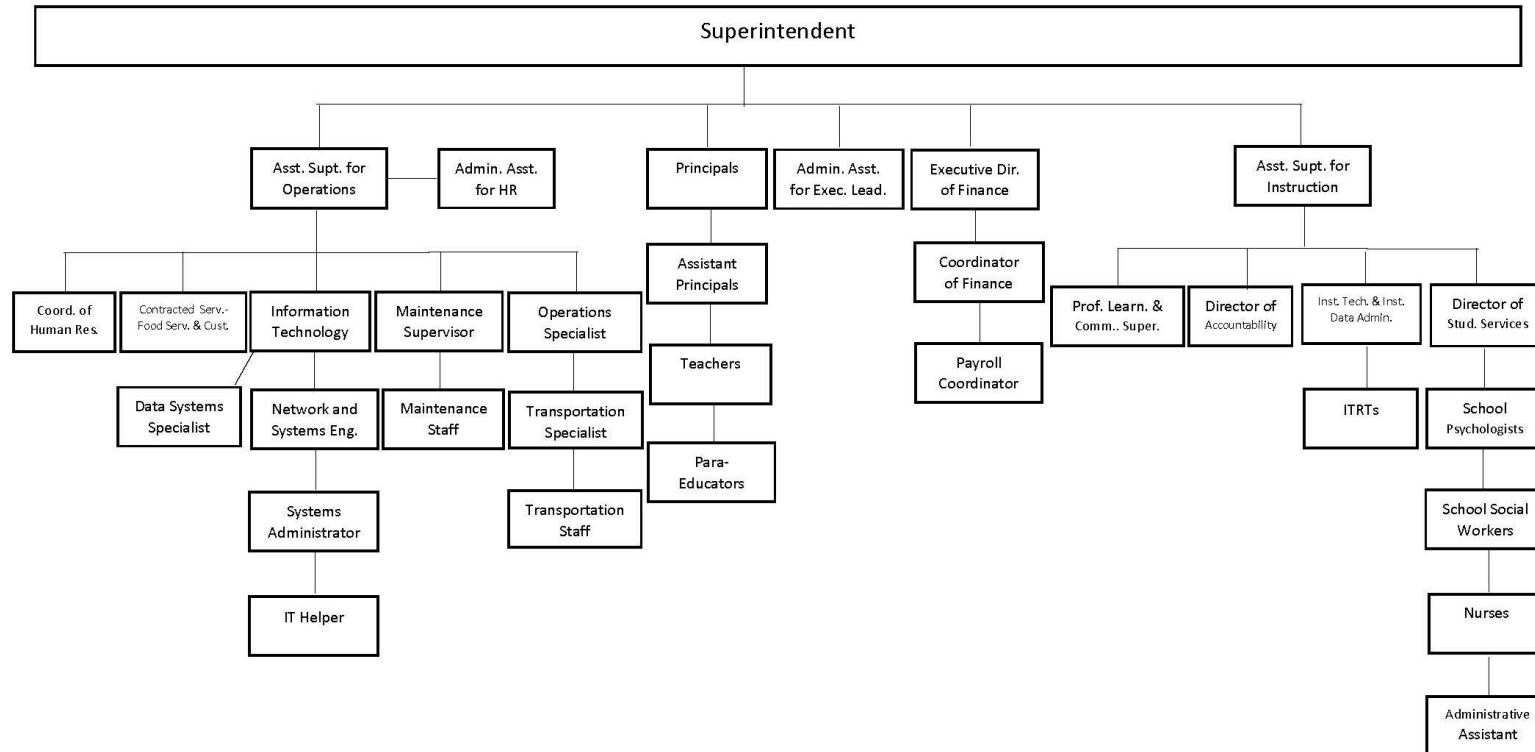
City of Poquoson

City Government Organization Chart



POQUOSON CITY PUBLIC SCHOOLS

ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Poquoson
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrell

Executive Director/CEO



CITY OF POQUOSON

OFFICE OF THE CITY MANAGER

500 City Hall Avenue
Poquoson, Virginia 23662
(757) 868-3000
(757) 868-3101 FAX

November 6, 2024

To the Honorable Mayor Helsel, Members of City Council, and the Citizens of the City of Poquoson:

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Poquoson (City) for the fiscal year ended June 30, 2024. An ACFR is required in accordance with Article V, Section 11 of the Poquoson City Charter and is presented in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) and audited in accordance with *Government Auditing Standards* and the Auditor of Public Accounts of the Commonwealth of Virginia by a firm of licensed certified public accountants.

Management assumes full responsibility for the reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not outweigh their benefits, the City of Poquoson's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

Brown, Edwards & Company, L.L.P. Certified Public Accountants, has issued an unmodified opinion on the City's financial statements for the year ended June 30, 2024. The unmodified report of Brown, Edwards & Company L.L.P., the highest possible result of the audit process, is located at the front of the financial section of this report.

The independent audit of the financial statements of the City of Poquoson was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies and a state compliance audit. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls, and legal requirements involving the administration of federal awards.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Poquoson's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Poquoson

The City of Poquoson, which had been a part of York County for many years, became a town in 1952 and an independent city in 1975 upon referendum of the citizens. However, the ties remain close with certain municipal functions continuing to be shared with York County including the Courts, Social Services, Sheriff's Department and E-911 Center.

The City is organized under the Council-Manager form of government. The Poquoson City Council is comprised of seven members who are elected by voters on a non-partisan basis and serve four-year staggered terms. The City is divided into three precincts, with each precinct entitled to two representatives. The City Mayor is elected at large. Persons elected to City Council take office on the first day of January following the election.

The City Council is the policy determining body of the City. Its responsibilities include: adoption of the City budget; creation, combination or elimination of City departments; approval of all tax levies; approval of amendments, supplements or repeals to ordinances and the City Code; and appointment of the City Manager, City Clerk, City Attorney, School Board and other various local boards, commissions and committees. The City Manager serves at the pleasure of Council, carries out its policies, directs business procedures and has the power of appointment and removal of all heads of departments (except Constitutional Officers) as well as all other employees of the City.

One of the most important services provided by a city to its taxpayers is the education of the children in the community. The Commonwealth of Virginia statutes put Virginia schools under the dual control of the State Education Board and a local school board. The State Education Board provides operational procedures, standards of education and formulas for partial funding. The City must provide all capital improvement funds, pay debt on school projects and provide any additional operating funds required, but not provided by the State Education Board and federal aid. The City Council's authority is limited to appointing local school board members, appropriating funds by state established categories and issuing debt relating to school projects. Local school boards do not have taxing or bond issuance authority.

The City of Poquoson provides a full range of services, including police and fire protection; the maintenance of highways, streets, and other infrastructure; recreational activities, library services, community development activities, and cultural events. The City also owns and maintains sewage facilities, manages landscaping and bulky item pick-ups, contracts for recycling as well as trash pick-up and disposal; owns and operates a City pool, and manages various paid recreational activities. In addition to general governing activities, the governing body has significant financial influence over the Poquoson Public Schools and the Economic Development Authority (EDA), both of which are reported separately within the City of Poquoson's financial statements. Additional information on these two legally separate entities can be found in Note 1 in the notes to basic financial statements.

The annual budget serves as the foundation for the City of Poquoson's financial planning and control. All agencies and departments of the City of Poquoson are required to submit requests for appropriation to the City Manager in December. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager presents a proposed budget to City Council for review in April. The Council is required to hold a public hearing on the proposed budget and must adopt a final budget no later than May 31. The appropriated budget is prepared by fund and department. The City Manager may make transfers of appropriations within a fund. Transfers of appropriations between funds and additional appropriations require approval of City Council. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbrances are included as budgetary expenditures and therefore do not lapse after year-end. The budget-to-actual comparison for the General Fund starts on page 83 of the report.

Local Economy

The City is located in the southeastern part of the state in the Hampton Roads area in the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area. The City is a peninsula located between the Poquoson River on the north, Back River and Wythe Creek (the Old Poquoson River) on the south, the Chesapeake Bay on the east and York County of the west.

The City is a suburban community in the Hampton Roads area and residents often work in neighboring cities and typically have the region's highest median income. The City of Poquoson occupies a land area of 14.7 square miles and shoreline area of 87 miles, and according to The Weldon Cooper Center for Public Service, serves an estimated population of 12,635.

The City remains stable in sales, real estate and personal property taxes. Sales of property have continued to trend in a positive direction.

The City is located near leading employment sites including NASA's Langley Research Center, Joint Base Langley-Eustis and Huntington Ingalls Industries, Inc. Local unemployment for the City remains below the state and national averages. According to the Bureau of Labor Statistics, the most recent annual average for City's unemployment rate is 2.5% which was the same as the prior year. The City's unemployment rate of 2.5% is below the national and state average of 4.1% and 3.6%, respectively, for the same period of time.

As part of the issuance of debt in June 2018, the City met with two of the National Credit Rating Agencies, Standard & Poor's (S&P) and Moody's for the purpose of having the agencies rate the City's current debt and to establish a rating on the 2018 General Obligation Bonds.

S&P assigned a rating of AAA on the City's 2018 general obligation bonds and affirmed its AAA rating on the City's outstanding general obligation bonds, the highest bond rating available. Some of the rationale cited by S&P included the City's: "Very Strong Economy; Very Strong Management; Strong Budgetary Performance; Very Strong Budgetary Flexibility; Very Strong Liquidity; and, Strong Debt and Contingent Liability Profile." S&P states that: "An obligation rated AAA has the highest rating assigned by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is extremely strong."

Moody's affirmed the City's existing Aa2 credit rating and assigned an enhanced Aa1 rating to 2018 General Obligation Bonds based on the City's strong underlying fundamentals plus the enhancement of the Virginia state aid intercept program. Moody's issues ratings ranging from Aaa to C to designate the relative investment qualities of bonds. The "Aa" rating is the second of nine such ratings and Moody's describes it as "obligation rated Aa are judged to be of high quality and are subject to very low credit risk". Moody's appends numerical modifiers 1, 2, and 3 to each generic rating category from Aa through Caa. The modifier 1 indicates the issuer ranks in the high end of its generic category while the modifier 3 indicates a ranking in the lower end of the generic category. As of November 2022, Moody's reaffirmed the City's existing Aa2 credit rating.

Long-term Financial Planning

Annual Financial Plans (Budget) and Constrained Capital Improvement Plans (CCIP) are adopted annually, taking into consideration input from all organizational levels of the City. The long-term revenue, expenditure and service implication of continuing or ending existing programs or adding new programs, services, and debt are considered while formulating budgets annually. The City assesses the condition of all major capital assets, including buildings, roads, sewer lines, vehicles, and equipment annually. The Planning Commission recommends adoption of the Constrained Capital Improvement Plan; the document then goes to City Council for final approval. Although the CCIP is intended to be a commitment to a multi-year capital improvement program, it is fundamentally a planning document and subject to annual modifications as priorities, available funding and other factors create a need for revision. The City also utilizes a Master Infrastructure Plan which is designed to be the planning bridge between the 5 year CCIP and the 20 year Comprehensive Plan.

Relevant Financial Policies

In October 2009, the City formally adopted a series of financial policy guidelines and in June 2011 modified these policies to incorporate GASB 54. The policies include debt policies as well as fund balance policies. The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times, therefore one of the fund balance policies adopted included maintaining a minimum unassigned fund balance of 12%-15% of the current year budgeted expenditures. The unassigned fund balance at the end of the year was 34.8% of budget expenditures and transfers out, well above the adopted policies.

The City increased the Fiscal Stability Reserve by \$100,000 this year to \$1.1 million. The Fiscal Stability Reserve serves as a contingency against unanticipated/emergency expenditures or revenue distributions (i.e. hurricane or pandemic related). The reserve is accounted for separately in Fund Balance for the General Fund, which can be found in Note 11.

Using regular financial reports prepared for City Council, the City recognizes the need to monitor revenue estimates to identify any shortfalls and potential trends that would significantly affect the various revenue sources in the current budget. A significant emphasis is placed on controlling departmental expenditures through accounts payable and purchasing policies and procedures.

Major Initiatives

The City continued its comprehensive outreach marketing campaign entitled “*Poquoson is the Place*” to increase awareness of Poquoson as a wonderful place to live and in which to do business. The campaign cites Poquoson as the place to “*Live, Grow, Work, and Play*” and provides informational overviews of the City’s business-friendly focus, single and multi-family residential availability, community engagement opportunities, and its outstanding public school system.

The Poquoson Police Department continued several Community Engagement events during 2024. The events were Dare Camp, 911 Leadership Camp and Safety Town. There was one session of Safety Town and two sessions for each camp with a total of approximately 60 youth from our community involved. The Police Department also held a Cops and Cones event in April 2024 with over 250 children and their families enjoying ice cream together. All of these events allowed the Police Department to not only build relationships with the children in our community but the entire family as well.

During FY 2024, site work and construction began in November 2023 for the Public Safety Building. The Public Safety Building will be an approximately 20,000 square foot building constructed at the entrance of City Hall Avenue, and will include the Police Department, Fire Administration and Emergency Management/Operations Center. Funding from the American Rescue Plan Act (ARPA), as well as bond issuance support the construction expenses for this new building, which is expected to open by March 2025.

Wi-fi expansion was completed this year, which deploys free publicly accessible wi-fi to South Lawson Park and Messick Point. Additionally, the fiber ring project was completed this year, which connects all City sites and removes dependency on third party services for inter-site communication. Dark fiber was installed to connect Fire Station 1, Fire Station 2 and City Hall to the rest of the City's fiber ring, including modernization of cybersecurity and expansion of broadband infrastructure. These projects were supported by ARPA funding.

The City processed the final plat for the first section of the Legacy of Poquoson Phase I and land values went into effect July 1, 2023. It consists of one hundred forty-six attached townhomes and detached residences. Phase I, Section I includes eighty lots (fifty-seven townhomes and twenty-three single-family residences) is complete and have been sold. Phase I, Section 2 adds the remaining sixty-six lots (eighteen single-family residences and forty-eight townhomes), most of which are under contract for sale. Plans for Phases II and III of the Legacy of Poquoson project, consisting of one hundred seventy-two detached and eight cottage single-family homes, have been approved and construction has begun. The clubhouse construction has been completed and open for the Legacy of Poquoson residents.

The Legacy development project also included construction of five apartment buildings, which are named The Flats at Legacy, with a total of one hundred seventy-six units, as well as an exclusive clubhouse. This was part of the overall development plan, but owned by a separate entity. Construction has been completed for the clubhouse and all five apartment buildings, which began opening in August 2024. Currently, 55% of the apartments have been leased.

During FY 2024, traffic signal design was completed and contract awarded for installation of a traffic signal for the Legacy of Poquoson project located at Victory Boulevard and Legacy Boulevard. Due to significant lead times receiving equipment, this project is expected to be completed by Summer 2025.

Construction was completed in FY 2024 on the 21-lot subdivision on Darden Drive, known as Bull Run Manor. This project was built by Ryan Homes, and all homes in this subdivision have been sold. Quarter Creek is another 32 residential home development project that is currently underway. Construction has begun for more than half of this development.

Construction did not commence on the two additional mixed-use buildings in Phase II of the Fountains of Poquoson. The conditional use permit for Phase II has now expired. There has been much conversation with the developer and plans for the ultimate buildout may change. The owner has obtained approval of a rezoning amendment that will allow separate parcels for the purpose of obtaining funding. As for now, the entire Fountains of Poquoson development, located in the City's Village Commercial district, will yield two residential structures and one stand-alone commercial building (in Phase III) and a mixture of 2/3rd townhomes and 1/3rd commercial offices in Phase IV.

The City participates in the National Flood Insurance Program (NFIP) and continues to work with the ISO/CRS Specialist for Virginia to find ways to improve the class rating. CRS is an “extra credit” program for NFIP members, granting flood insurance discounts to localities who adopt higher standards to address stormwater flooding. The City has recently received notice that Poquoson was increased from Class 8 to Class 7, which qualifies residents for a 15% discount in flood insurance premiums for most NFIP policies. This savings is a tangible result of the flood mitigation activities the City implements to protect lives and reduce property damage.

The City continues to work with the City of Hampton and the Virginia Department of Transportation on the Wythe Creek Road widening project. This project is intended to improve traffic flow along the corridor; elevate the portion of road through the marsh area so that it remains open during coastal storm events; and provide walkability along the road. The project features widening the Hampton section of the roadway to three lanes; replacing the current bridge and causeway located just south of the Poquoson city line with an elevated bridge; and constructing sidewalks along the route.

For the City of Poquoson, the portion of the above mentioned project will provide sidewalks on either side of Wythe Creek Road and will improve the Cary’s Chapel and Wythe Creek Road intersection. The existing causeway will be retained and will feature a walking and biking path. The elevated bridge will provide an additional evacuation route out of the City during a flood event. Construction began in March 2024 with the targeted project completion in Fall 2027.

There were several enhancements added at South Lawson Park this year. A new basketball court was installed in July 2023, a walking trail was completed in August 2023, permanent restrooms opened in July 2024 and a pond aeration project is underway and will be completed by December 2024. These additions will complement the existing athletic fields and playground at this park.

Improvements began this year at the entrance of Two Tree Park, which includes installation of signage, bench, solar lighting, bike rack and a parking lot. Other improvements are in progress, including a walking trail completed in September 2024 and a picnic shelter will be completed by December 2024.

The Municipal Pool was replastered this year and patrons began enjoying this upgrade during the 2024 summer season. In September 2024, the City completed a tennis court resurfacing, conversion and lighting project. This project consisted of resurfacing the three tennis courts, as well as conversion of one tennis court into two pickleball courts with additional fencing. Lighting was also added to these courts to allow for extended playing time in the evening hours.

The Utilities Department continued working on back-up generator replacements for three pump stations. The City has 28 of 29 pump stations with a back-up generator. The remaining station does not have enough property to have a permanent generator installed. We are working with the adjacent property owner to utilize a portion of this property for the generator installation.

The Library continues to provide a variety of services for Poquoson residents, including classes and events, meeting room reservations as well as computer use. Throughout the year, the library provided classes and events for youth with 7,401 attendees at programs for children and teens, which was a 29% increase over the previous year. One new event that the Library hosted this year was the Blue Star Welcome Week to invite new families to gather together and learn more about the city departments and local businesses. This year, 64,450 patrons visited the library and the library was also able to process 1,702 applications for new passports. Computer usage was up about 3% this year over last, with 7,776 wi-fi and computer sessions were utilized by the public at the library in FY 2024. Meeting room usage was provided for 1,407 reservations, and there were 1,185 new library card registrations during the year.

The Community Recreation Department continued to coordinate programs throughout the year that were very popular with Poquoson residents, which included the third annual Great Poquoson Turkey Hunt Contest (a family-friendly scavenger hunt to locate wooden turkey displays hidden throughout the City), and a “Letters to Santa” campaign with two official “mailing stations”. These programs are in addition to the successful youth and adult athletic programs and other classes, camps and workshops that are offered.

In an effort to promote local business of the Poquoson, the City hosts Shop and Dine events where businesses offer specials and open houses to encourage shopping and dining locally. Additionally, the Garden Club of Virginia selected Poquoson as one of the locations for the 2024 Historic Garden Week Tour where visitors toured five homes throughout the city.

Awards and Acknowledgements

The City of Poquoson’s Fire Department continues its Class 2 rating by the Insurance Services Office (ISO) which assesses the readiness of the fire department by analyzing data across three categories of a department’s capabilities of fire-fighting.

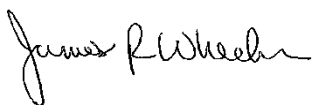
Poquoson City Public Schools (PCPS) was fully accredited by the Virginia Board of Education, meaning the school division and each school met standards of learning benchmarks in reading, writing, math, science and attendance, and the high school met benchmarks for graduation and completion rates. PCPS continues its strong tradition of excellence, ranking among the top school divisions in the Commonwealth for academic performance, while offering a wide variety of extracurricular activities and competitive interscholastic athletic programs.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Poquoson for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. This was the 36th consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA’s Award for Distinguished Budget Presentation for its Annual Adopted Budget for FY 2024 for the 32nd consecutive year. In order to qualify for the Distinguished Budget Presentation Award, the City’s budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department, the Poquoson Public Schools and the Treasurer’s Office. Credit also must be given to City Council for their unfailing support for maintaining the highest standards in the management of the City finances.

Respectfully submitted,



James R. Wheeler
City Manager



Tara Woodruff
Finance Director



Financial Section

Independent Auditor's Report

To the Honorable Members of the City Council of
City of Poquoson, Virginia
Poquoson, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Poquoson, Virginia as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Poquoson, Virginia, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Poquoson, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Poquoson's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Poquoson's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Poquoson, Virginia's basic financial statements. The accompanying other supplementary information as listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 6, 2024

Management's Discussion and Analysis

Fiscal Year July 1, 2023– June 30, 2024

As management of the City of Poquoson, Virginia (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities as of and for the fiscal year ("FY") ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found in the introduction section of this report, and the notes to the basic financial statements, which can be found immediately following the basic financial statements.



Financial Highlights

- The City has continued to maintain a strong financial position for both its governmental and business-type funds. The City continued to provide service and commitment to the citizens which reflected on the irrepensible practices of the City to ensure sound financial management.
- The assets and deferred outflows of the City's Primary Government exceeded its liabilities and deferred inflows of resources as of June 30, 2024, by \$58.3 million (net position). The City's Primary Government total net position increased by \$12.1 million from the prior year.
- As of June 30, 2024, the unassigned fund balance for the General Fund was \$12.4 million or 34.8% of total General Fund expenditures and transfers out.
- The City's total debt outstanding at June 30, 2024, was \$43.1 million for all funds which is a decrease overall of \$0.5 million from the prior year. The City issued \$2 million in new debt during FY 2024 to finance a new fire ladder truck.
- The City's Debt Service Fund, which is used to account for and report financial resources that are assigned to expenditure for principal and interest, had an ending fund balance of \$85,461.
- City Council previously established a revenue stabilization reserve and the City increased this reserve by \$100,000 during FY 2024 to \$1.1 million.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business.

The statement of net position presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration; judicial; public safety; public works; health and welfare; recreation and cultural; community development; and grants. The business-type activities of the City include a Sewer Operations Fund and a Solid Waste Fund.

The government-wide financial statements include not only the City itself (the primary government), but also a legally separate school system, Poquoson City Public Schools (PCPS), and a legally separate Poquoson Economic Development Authority (EDA) for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on Exhibits A and B of this report.

Fund Financial Statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, the Capital Projects Fund, and the Grants Special Revenue Fund. The governmental funds financial statements can be found on Exhibits C and D of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget on Exhibit L.

Proprietary Funds. The City maintains two different types of proprietary funds, enterprise funds, and internal service funds. Enterprise funds provide both long-term and short-term information on business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Sewer Operations and Solid Waste Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's departments. The City uses an internal service fund to account for its fleet of vehicles. Because this service predominantly benefits governmental rather than business-type functions, the Fleet fund has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on Exhibits E, F, and G of this report.

Fiduciary Funds. The City is the trustee, or fiduciary, for certain donated funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes. The fiduciary funds include the Other Postemployment Benefits Trust Fund and Library Custodial Fund, a party outside the City. These activities are reported in a separate Statement of Fiduciary Net Position. The City excludes this activity from its government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary funds' statements can be found on Exhibit H and I of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary and other supplementary information concerning the City including financial information on the Poquoson Public School component unit. Required supplemental information can be found after the notes to the basic financial statements. Supplementary information can be found after the required supplementary information.

Government-Wide Financial Analysis

Summary of Statement of Net Position As of June 30, 2024

	Governmental Activities		Business-Type Activities		Total	
	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
Current and other assets	\$ 39,747,621	\$ 38,810,968	\$ 6,697,149	\$ 5,850,395	\$ 46,444,770	\$ 44,661,363
Capital assets	60,707,220	55,466,921	8,454,244	8,905,186	69,161,464	64,372,107
Total assets	100,454,841	94,277,889	15,151,393	14,755,581	115,606,234	109,033,470
Deferred outflows of resources	2,519,159	3,057,023	91,494	100,624	2,610,653	3,157,647
Total assets and deferred outflows	\$102,974,000	\$ 97,334,912	\$15,242,887	\$ 14,856,205	\$118,216,887	\$ 112,191,117
Current and other liabilities	\$ 13,794,104	\$ 17,306,227	\$ 833,958	\$ 816,967	\$ 14,628,062	\$ 18,123,194
Long-term liabilities	40,030,289	40,748,231	2,233,722	2,852,832	42,264,011	43,601,063
Total liabilities	53,824,393	58,054,458	3,067,680	3,666,799	56,892,073	61,724,257
Deferred inflows of resources	2,896,687	4,105,256	159,459	228,884	3,056,146	4,334,140
Total liabilities and deferred inflows	\$ 56,721,080	\$ 62,159,714	\$ 3,227,139	\$ 3,898,683	\$ 59,948,219	\$ 66,058,397
Net investment in capital assets	\$ 24,154,200	\$ 20,195,716	\$ 5,687,288	\$ 5,464,333	\$ 29,841,488	\$ 25,660,049
Restricted	5,022,944	4,540,672	-	-	5,022,944	4,540,672
Unrestricted	17,075,776	10,438,810	6,328,460	5,493,189	23,404,326	15,931,999
Total net position	\$ 46,252,920	\$ 35,175,198	\$12,015,748	\$ 10,957,522	\$ 58,268,668	\$ 46,132,720

Net position serves as a useful indicator of a government's financial position. The City's combined net position totals \$58.3 million, excluding discretely presented component units. By far, the largest portion of this represents investments in capital assets, such as land, buildings, machinery, and equipment. Capital assets net of related debt total \$29.8 million. The City uses these capital assets to provide services to citizens; and thus, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. Total net position of \$23.4 million are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in both categories of net position, for the governmental and business-type activities.

The governmental activities' net position increased by \$11.1 million and the business-type activities increased by \$1.1 million during FY 2024. The increase of net position of the governmental activities is due to many factors to include better than expected revenue associated with local taxes and increased investment earnings, as well as less than expected expenses primarily related to vacancy savings. The net position of the business-type activities increase is primarily due to collecting additional sewer availability fees for the new Legacy development.

**Summary of Changes in Net Position
June 30, 2024**

	Governmental Activities		Business-Type Activities		Total	
	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
Revenues: Program revenues:						
Charges for services	\$ 1,735,632	\$ 1,670,829	\$3,059,800	\$ 3,013,001	\$ 4,795,432	\$ 4,683,830
Operating grants and contributions	2,220,482	1,924,542	-	-	2,220,482	1,924,542
Capital grants and contributions	5,873,466	4,253,637	-	-	5,873,466	4,253,637
General revenues:						
Real estate and personal property taxes	28,712,844	26,526,866	-	-	28,712,844	26,526,866
Other local taxes	4,093,477	3,731,837	-	-	4,093,477	3,731,837
Reimbursements from other agencies	206,753	211,413	-	-	206,753	211,413
Miscellaneous	437,647	87,510	912,000	1,550,645	1,349,647	1,638,155
Unrestricted investment earnings	2,130,466	1,352,648	53,885	49,760	2,184,351	1,402,408
Total revenues	\$45,410,767	\$39,759,282	\$4,025,685	\$ 4,613,406	\$49,436,452	\$44,372,688
Expenses:						
General government	\$ 3,020,353	\$ 7,676,967	\$ -	\$ -	\$ 3,020,353	\$ 7,676,967
Public safety and judicial	10,510,426	9,848,237	-	-	10,510,426	9,848,237
Public works	3,586,783	3,752,924	-	-	3,586,783	3,752,924
Health and welfare	1,377,580	1,128,095	-	-	1,377,580	1,128,095
Education	12,196,202	9,513,223	-	-	12,196,202	9,513,223
Parks, recreation, cultural	2,083,652	2,161,907	-	-	2,083,652	2,161,907
Economic Development Authority	70,064	145,786	-	-	70,064	145,786
Community development	689,873	659,427	-	-	689,873	659,427
Interest and fees on long-term debt	1,148,112	1,247,108	-	-	1,148,112	1,247,108
Sewer	-	-	1,416,415	1,421,371	1,416,415	1,421,371
Solid waste	-	-	1,201,044	1,190,698	1,201,044	1,190,698
Total expenses	34,683,045	36,133,674	2,617,459	2,612,069	37,300,504	38,745,743
Change in net assets before transfers	10,727,722	3,625,608	1,408,226	2,001,337	12,135,948	5,626,945
Transfers	350,000	300,000	(350,000)	(300,000)	-	-
Increase in net position	11,077,722	3,925,608	1,058,226	1,701,337	12,135,948	5,626,945
Net position, beginning of year	35,175,198	31,249,590	10,957,522	9,256,185	46,132,720	40,505,775
Net position, end of year	\$46,252,920	\$ 35,175,198	\$12,015,748	\$10,957,522	\$58,268,668	\$46,132,720

The City's largest revenue source is general property taxes.

	FY 2024	FY 2023
Real estate tax revenue	\$ 21,910,551	\$ 19,614,974
Public service corporation taxes	217,536	269,567
Personal property taxes	6,388,746	6,446,998
Penalties and interest	196,011	195,327
Total	\$ 28,712,844	\$ 26,526,866

Governmental Activities. The City experienced growth in real estate tax revenues during FY 2024. Real estate taxes were higher due to the biennial reassessment, which resulted in a 12% increase in values. There was also an increase in new homes with three residential developments under construction during the fiscal year.

The City's real estate property tax assessments were \$2,048,711,100 and \$1,796,949,800 for FY 2024 and FY 2023, respectively. The City's real estate tax rate decreased by two cents in FY 2024 to \$1.11 per \$100 of assessed value.

The City's personal property tax assessments were \$179,940,170 and \$181,866,810 for FY 2024 and FY 2023, respectively. In FY 2024, the City's personal property tax rate remained flat at \$4.15 per \$100 of assessed value for vehicles. Personal property values are slowly returning to pre-pandemic levels. The City has also experienced an increase in the amount of disabled veteran exemptions.

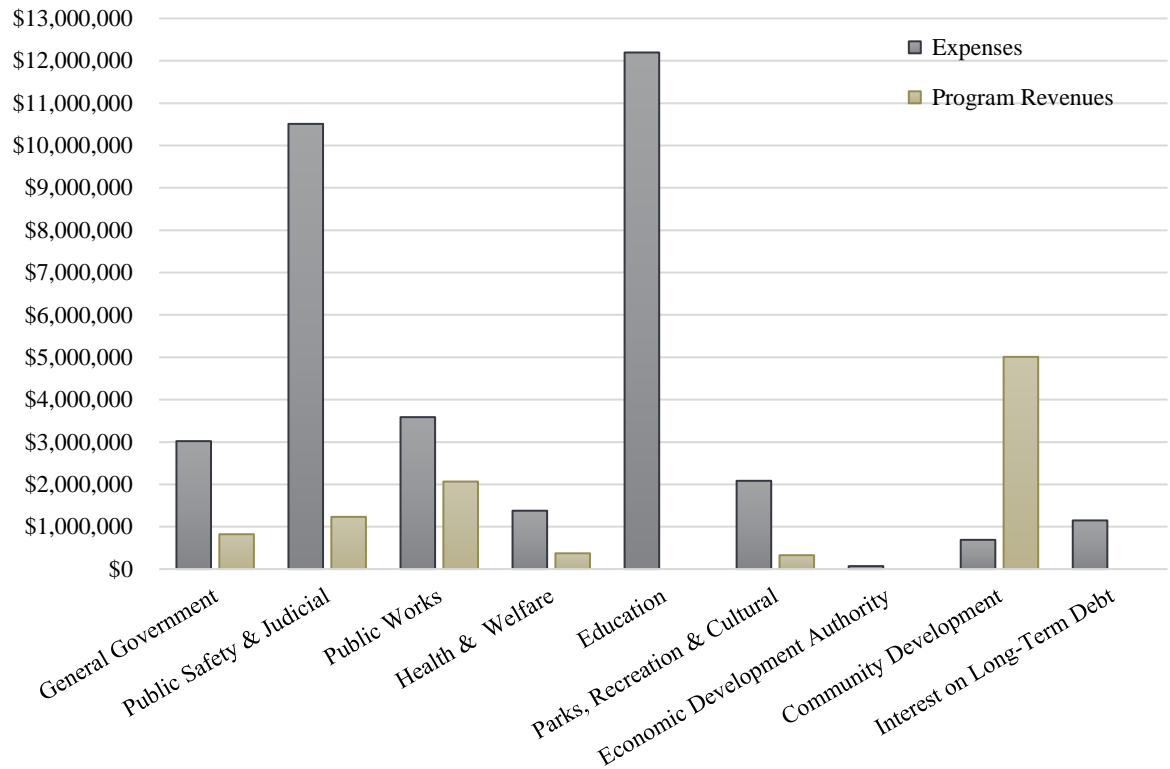
Under the provisions of the Personal Property Tax Relief Act (PPTRA), the Commonwealth of Virginia's share of local personal property tax was \$1,923,431 for FY 2024 and FY 2023.

Other local taxes were \$4.1 million in FY 2024, which was an increase of \$361,640 from FY 2023. This increase is attributable to increases in sales, meals and business license taxes due to continuing strong economic trends. Unrestricted investment earnings also increased by \$777,818 from the prior year due to sound investment practices of the Treasurer.

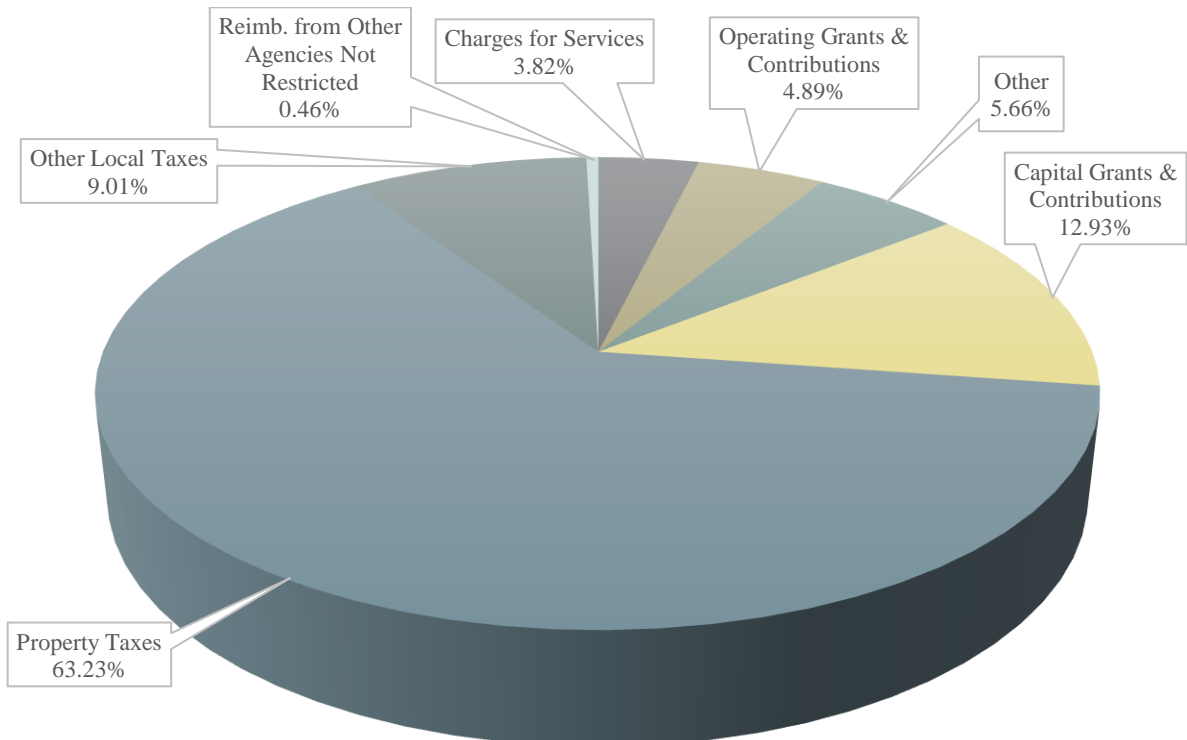
For FY 2024, expenses for governmental activities totaled \$34.7 million, including an expense of \$12.2 million to Poquoson City Public Schools (PCPS). For FY 2023, expenses for governmental activities totaled \$36.1 million, including an expense of \$9.5 million to PCPS.

The City experienced significant savings in expenses during FY 2024, which was due to personnel vacancies in parks and recreation and public works departments.

Expenses and Program Revenues - Governmental Activities

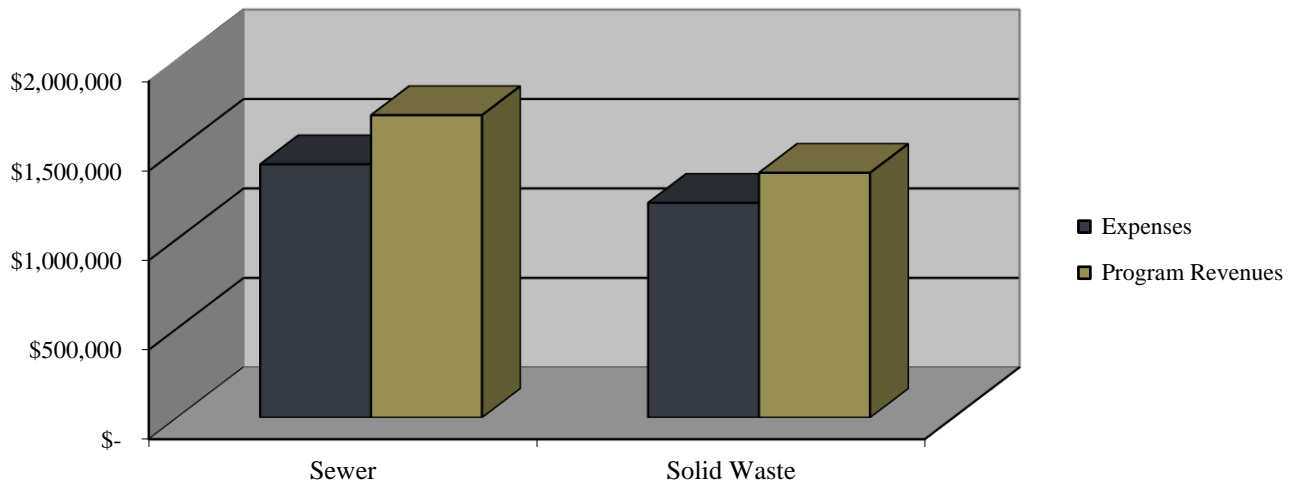


Revenues by Sources - Governmental Activities

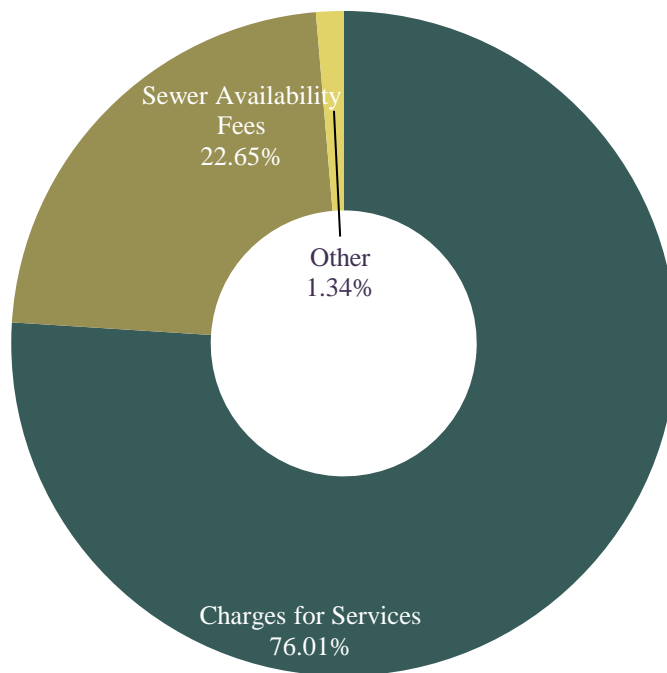


Business-type Activities. Business-type activities increased the City's net position before transfers by \$1.4 million and increased the net position by \$1.1 million after transfers. This increase in net position is primarily a result of additional revenue in the Sewer Fund from sewer availability fees related to new construction.

Expenses and Program Revenues - Business-Type Activities



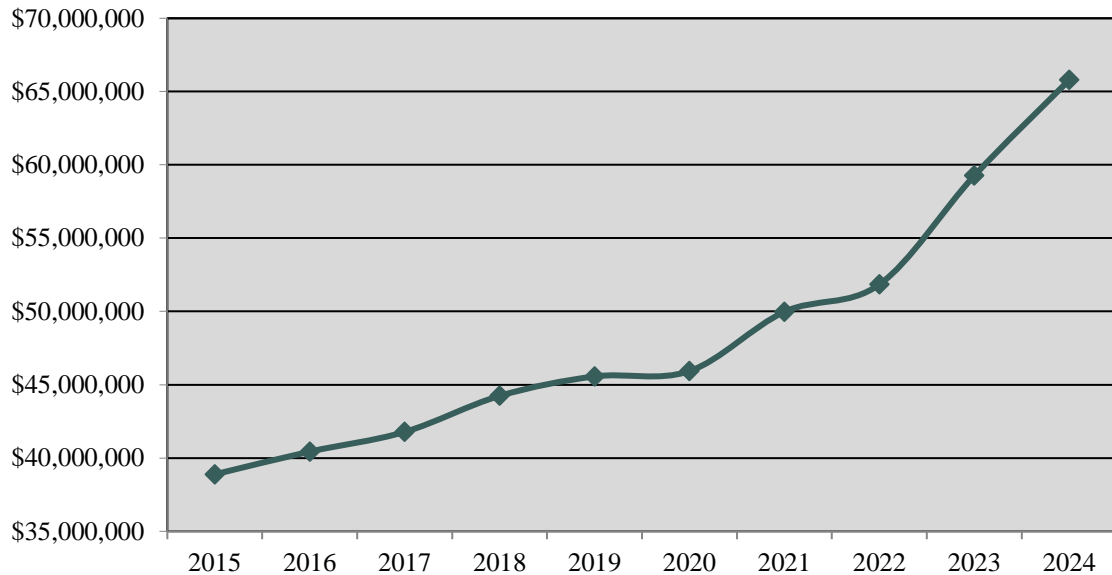
Revenues by Source - Business-Type Activities



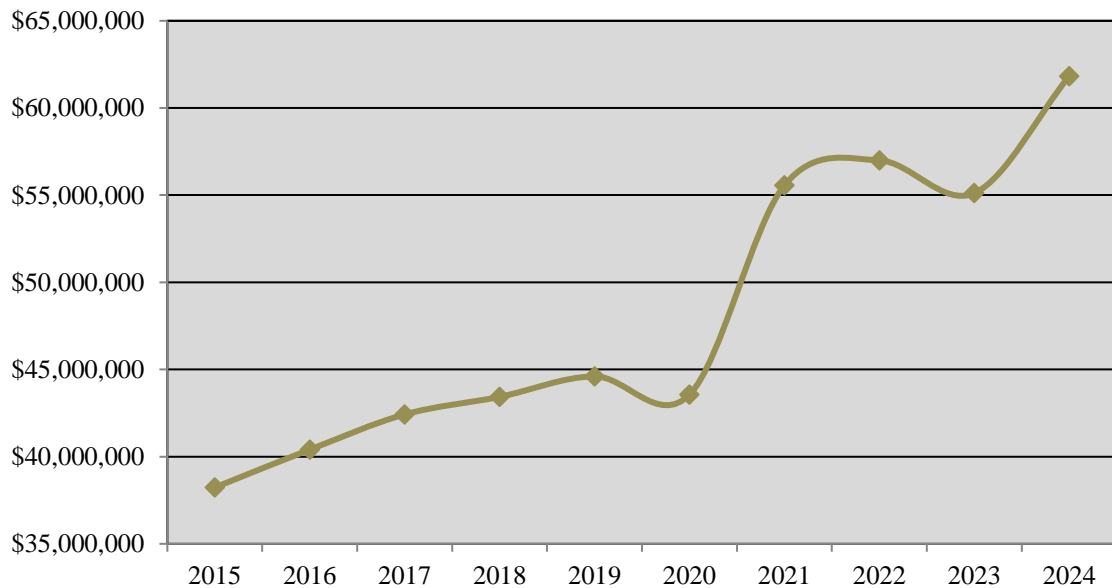
Financial Analysis of the Governmental Funds

Below is a summary of general governmental revenues and expenditures over a ten-year period. Amounts include the City's General, Debt Service, Capital Projects, and Grants Funds along with the School's General and Special Revenue Funds and net of revenue and expenditures between City and Schools.

General Governmental Revenues



General Governmental Expenditures



General Fund. The General Fund is the chief operating fund of the City. At the end of fiscal year 2024, the fund balance in the General Fund totaled \$18.8 million. Unassigned fund balance totaled \$12.4 million and is available for spending at the City's discretion. Of the remainder of fund balance, \$1.3 million is nonspendable, \$0.4 is restricted, \$3.8 million is committed and \$0.9 million is assigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The General Fund unassigned fund balance was \$12.4 million or 34.8% of total General Fund expenditures and transfers out.

Total fund balance in the General Fund increased \$3.7 million this year primarily due to better than anticipated local tax revenue, permits and other licenses, and revenue from use of money. General property taxes increased over the prior year due to a rise in tax values from the biennial reassessment, which resulted in an increase of 12% in assessed values. There was also growth in new homes from three new residential developments under construction. Meals tax and business license tax increased due to continued improvement in economic activity. Use of money revenue also increased due to sound investment practices of the Treasurer.

The City experienced significant savings from personnel vacancies in public safety, parks and recreation and public works departments. The City also retained \$2.7 million in budgeted School Board operating contributions as the School Board's state and federal revenue exceeded budget projections combined with positive expenditure budget results.

Capital Projects Fund. The Capital Projects Fund is used by the City to account for the acquisition and construction of major capital projects and large equipment purchases for the general government. The major sources of funding for the Capital Projects are transfers from the General Fund and debt proceeds. The Capital Projects Fund also received state funding for street projects.

During FY 2024, capital project expenditures of \$3.9 million included for public safety vehicles and equipment, park improvements, addition of lighting at the tennis courts, roof and door replacements at City Hall, costs for highway and drainage improvements, and a portion of the construction costs for the new Public Safety Building.

Debt Service Fund. The Debt Service Fund is used by the City to account for the accumulation of resources for the repayment of long-term debt of the governmental funds. The primary source of funding is transfers from the General Fund.

Grants Special Revenue Fund. The Grants Special Revenue Fund is used by the City to account for revenues and expenditures related to State and Federal grants. For FY 2024, the Grants Special Revenue Fund expenditures were related to use of the American Rescue Plan Act (ARPA) funds. These expenditures totaled \$4.6 million for expansion of the wi-fi and fiber ring throughout the City, drainage improvement projects, addition of an outdoor basketball court at South Lawson Park, Poquoson Primary School HVAC replacement and a portion of the construction costs for the new Public Safety Building.

General Fund Budgetary Highlights

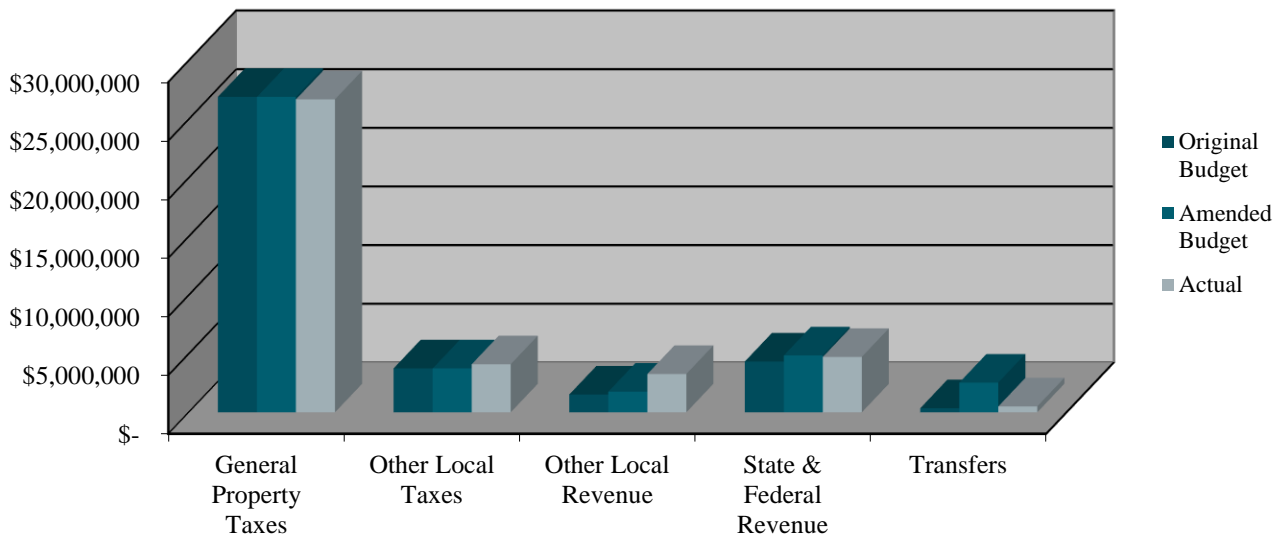
The City uses fund accounting and budgeting to ensure and demonstrate compliance with finance-related legal requirements. The General Fund budgetary comparison to actual can be found on Exhibit L. The City records actual revenues and expenditures using accounting principles generally accepted in the United States of America (U.S. GAAP), with the exception of encumbrances, which are included as budgetary expenditures. At the end of Exhibit L, the non-GAAP budgetary expenditures are reconciled to the U.S. GAAP statements. The budget differences of \$2.96 million between the original budget and the final amended budget can be briefly summarized as follows:

- \$0.18 million to the Police Department from re-appropriation of restricted revenue received in FY 2023 and new revenue received in FY 2024 from grants and donations
- \$0.36 million to the Fire Department from re-appropriation of restricted revenue received in FY 2023 and new revenue received in FY 2024 from grants and insurance proceeds
- \$1.27 million additional transfer to the PCPS for the prior year unspent transfer to provide additional funding towards curriculum, special education and crossing guard stipends, primary school fire alarm replacement, local funding to supplant reduced state funding due to a calculation error related to the grocery hold harmless revenue and cover an operational deficiency for less state revenue than anticipated due to a decrease in the average daily membership
- \$0.06 million to the Library Department from re-appropriation of restricted revenue received in FY 2023 and revenue received for donations and state allocation in FY 2024
- \$0.02 million to the Facilities Division from re-appropriation of restricted revenue received in FY 2023
- \$0.01 million to the Public Works Department for re-appropriation of restricted revenue received in FY 2023 and new revenue received in FY 2024 from grants
- \$0.05 million to the Community Development Department for re-appropriation of restricted revenue received in FY 2023 and new revenue in FY 2024
- \$0.03 million to Parks and Recreation for re-appropriation of restricted revenue received in FY 2023 and new revenue from grants and insurance proceeds
- \$0.09 million to Courts for increased shared services costs with York County courthouse
- \$0.31 million to Children Services Act for increased costs primarily related to foster children
- \$0.08 million appropriation to provide transfer to the Debt Service Fund to increase the debt service reserve
- \$0.10 million appropriation to increase the fiscal stability reserve in the General Fund
- \$0.40 million appropriation to provide transfer to the Capital Project Fund for a tennis court/pickleball conversion and lighting, pond aeration at South Lawson Park and a living shoreline project at Amory's Wharf.

The charts on the following page show the original approved budget, the final amended budget, and actual amounts for both revenues and expenditures in the General Fund.

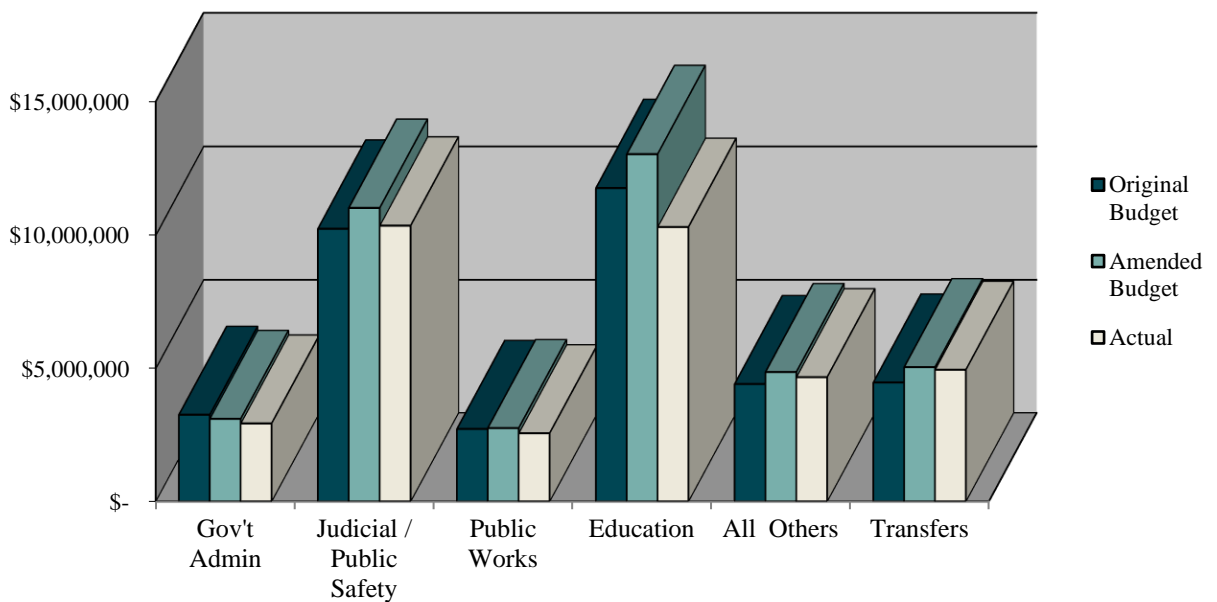
The budgetary comparison can be found on Exhibit L. For budgetary purposes, the City includes encumbrances outstanding at year-end in expenditures, which is not in accordance with U.S. GAAP. A reconciliation of budgetary basis to U.S. GAAP is also shown on Exhibit L.

General Fund Revenue Comparison of Budget to Actual



The City's actual General Fund revenues and other financing sources of \$39.3 million exceeded the original budget by \$2.4 million, which was primarily a result of additional revenue from other local taxes, permit fees and investment earnings. The actual General Fund revenues and other financing sources was less than the amended budget by \$0.5 million due to the City budgeting \$2.2 million for use of the fund balance, which is not included in the actual revenue for General Fund.

General Fund Expenditures Comparison of Budget to Actual



The City's actual General Fund expenditures and other financing uses of \$35.7 million were less than the amended budget by \$4.1 million and less than the original budget by \$1.1 million. The decrease in expenditures from the amended budget is a result of vacancies within the City departments, as well as less operating expenditures by the Schools.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2024, amounted to \$69.2 million (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, buildings, infrastructure, machinery and equipment, sewer system, subscription asset, and allocated school buildings. The City owns roads, streetlights, and other infrastructure, but has only capitalized these assets placed in service since July 1, 2002. Infrastructure was capitalized beginning in FY 2007. The PCPS component unit owns their school buildings; however, the City has issued the debt and/or provided the resources to build and renovate school buildings. Thus, the State Code allows PCPS to allocate a portion of their asset to the City, if the City has outstanding debt on the school buildings.

The following table summarizes capital assets, net of depreciation:

	Governmental Activities		Business-type Activities		Total	
	FY 20244	FY 20233	FY 20244	FY 20233	FY 20244	FY 20233
Land	\$ 3,777,448	\$ 3,807,229	\$ 217,666	\$ 217,666	\$ 3,995,114	\$ 4,024,895
Land improvements	2,409,605	2,062,547	-	-	2,409,605	2,062,547
Construction in progress	5,473,311	1,132,755	81,183	-	5,554,494	1,132,755
Buildings	3,146,013	3,335,590	73,272	80,988	3,219,285	3,416,578
Building improvements	922,165	270,881	-	-	922,165	270,881
Infrastructure	7,467,105	6,497,565	-	-	7,467,105	6,497,565
Machinery and equipment	3,372,876	3,295,940	916,024	986,899	4,288,900	4,282,839
Subscription asset	126,289	53,699	-	-	126,289	53,699
Sewer system	-	-	7,166,099	7,619,633	7,166,099	7,619,633
Allocated school buildings	34,012,408	35,010,715	-	-	34,012,408	35,010,715
	<u>\$ 60,707,220</u>	<u>\$ 55,466,921</u>	<u>\$ 8,454,244</u>	<u>\$ 8,905,186</u>	<u>\$ 69,161,464</u>	<u>\$ 64,372,107</u>

Debt Administration. Total outstanding general obligation debt at June 30, 2024 was \$38.6 million of which \$35.9 million is considered to be net direct tax supported debt. Included in the total debt are \$35.9 million in general obligation bonds. The remaining \$2.7 million are bonds for the sewer system that are essentially paid for by revenues in the Sewer Operations Fund. The net change in fund balance was the result of City Council appropriating the use towards capital improvement projects in the Capital Project Fund.

State statutes limit the amount of general obligation debt a government may issue up to 10% of its total assessed valuation of real estate and public service corporations. The June 30, 2024, debt limitation for the City is \$207 million, which is significantly in excess of the City's \$38.6 million outstanding net direct bonded debt.

Net Direct Tax Supported Debt General Governmental Activities

	FY 2024	FY 2023
Net direct bonded debt	\$35,887,000	\$36,525,000
Ratio of outstanding direct debt to assessed value	1.75%	2.03%

More detailed information on the City's long-term debt activity and capital asset activity can be found in Notes 8 and 9 of this report.

Economic Factors and Next Year's Budgets and Rates

The FY 2025 budget was prepared with economic trends and factors within the City taken into account:

- The FY 2025 adopted budget reflected the increase in real estate tax revenue due as a result of growth in new homes and developments for the year.
- The FY 2025 adopted budget increased the real estate tax rate by three cents to \$1.14 per \$100 of assessed value.
- The FY 2025 adopted budget did, to the greatest extent possible, continue City services/programs at their current levels.
- The FY 2025 adopted budget fully funded the School Superintendent's requested budget to include funding for a 5% compensation increase.
- The FY 2025 adopted budget provided for a compensation increase for City employees, including a 4% pay scale adjustment for all regular, full-time and part-time employees, as well as a 1% merit increase for eligible full-time employees.
- The FY 2025 adopted budget provides full year funding for the three firefighter and three police officer positions that were added mid-year during the FY 2024 adopted budget.
- The FY 2025 adopted budget maintains rates for the sewer and solid waste fees.
- The FY 2025 adopted budget continued the funding for the other postemployment benefits for eligible employees who retire from the City and a modest contribution to the trust held by VML/VACo Pooled OPEB Trust.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Tara Woodruff
Finance Director
500 City Hall Avenue
Poquoson, Virginia 23662



Basic Financial Statements

Statement of Net Position

June 30, 2024

CITY TRD.FT (GOV)
GOVW06(13)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments (Note 2)	\$ 28,757,674	\$ 6,136,315	\$ 34,893,989	\$ 4,177,799
Restricted cash and investments (Note 2)	4,635,758	-	4,635,758	563,188
Property taxes receivable, net (Note 3)	945,124	-	945,124	-
Other receivables	109,654	512,178	621,832	136,855
Due from component units (Note 6)	746,650	-	746,650	-
Other current assets	19,074	48,656	67,730	112,262
Notes receivable, component unit (Notes 4, 6)	1,293,591	-	1,293,591	-
Leases receivable (Note 7)	1,667,350	-	1,667,350	-
Due from other governmental units (Note 5)	1,572,746	-	1,572,746	741,836
Net pension asset (Note 15)	-	-	-	9,234
Capital assets (Note 8):				
Nondepreciable/nonamortizable	9,250,759	298,849	9,549,608	2,427,508
Depreciable/amortizable	51,456,461	8,155,395	59,611,856	12,109,749
Total assets	\$ 100,454,841	\$ 15,151,393	\$ 115,606,234	\$ 20,278,431
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension (Note 15)	\$ 1,659,255	\$ 72,518	\$ 1,731,773	\$ 3,877,264
Deferred outflows related to OPEB (Notes 16, 17, 18)	434,185	18,976	453,161	610,190
Deferred refunding costs	425,719	-	425,719	-
Total deferred outflows of resources	\$ 2,519,159	\$ 91,494	\$ 2,610,653	\$ 4,487,454
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,725,158	\$ 139,527	\$ 2,864,685	\$ 3,226,341
Accrued payroll	242,003	24,365	266,368	-
Accrued interest	456,240	11,775	468,015	6,540
Unearned revenues	7,302,173	-	7,302,173	-
Due to Primary Government (Note 6)	-	-	-	2,040,241
Noncurrent liabilities (Note 9):				
Due within one year	3,068,530	658,291	3,726,821	237,839
Due in more than one year	40,030,289	2,233,722	42,264,011	15,665,673
Total liabilities	\$ 53,824,393	\$ 3,067,680	\$ 56,892,073	\$ 21,176,634
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension (Note 15)	\$ 912,505	\$ 39,882	\$ 952,387	\$ 2,450,645
Deferred inflows related to OPEB (Notes 16, 17, 18)	311,663	13,621	325,284	408,807
Deferred inflows related to leases (Note 7)	1,542,219	-	1,542,219	-
Deferred refunding costs	130,300	105,956	236,256	-
Total deferred inflows of resources	\$ 2,896,687	\$ 159,459	\$ 3,056,146	\$ 2,859,452
NET POSITION (DEFICIT)				
Net investment in capital assets	\$ 24,154,200	\$ 5,687,288	\$ 29,841,488	\$ 14,420,725
Restricted for:				
Education	-	-	-	1,033,784
Public safety	4,735,710	-	4,735,710	-
Parks, recreation, and cultural	26,749	-	26,749	-
Community development	145,992	-	145,992	-
General government administration	114,493	-	114,493	-
Unrestricted (deficit)	17,075,776	6,328,460	23,404,236	(14,724,710)
Total net position	\$ 46,252,920	\$ 12,015,748	\$ 58,268,668	\$ 729,799

City of Poquoson, Virginia

Exhibit B

Statement of Activities

Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
PRIMARY GOVERNMENT								
Governmental activities:								
General government administration	\$ 3,020,353	\$ 822,143	\$ -	\$ -	\$ (2,198,210)	\$ -	\$ (2,198,210)	\$ -
Public safety and judicial	10,510,426	413,926	658,290	160,372	(9,277,838)	-	(9,277,838)	-
Public works	3,586,783	-	950,000	1,116,344	(1,520,439)	-	(1,520,439)	-
Health and welfare	1,377,580	-	371,846	-	(1,005,734)	-	(1,005,734)	-
Education	12,196,202	-	-	-	(12,196,202)	-	(12,196,202)	-
Parks, recreation and cultural	2,083,652	86,714	240,346	-	(1,756,592)	-	(1,756,592)	-
Economic Development Authority	70,064	-	-	-	(70,064)	-	(70,064)	-
Community development	689,873	412,849	-	4,596,750	4,319,726	-	4,319,726	-
Interest on long-term debt	1,148,112	-	-	-	(1,148,112)	-	(1,148,112)	-
Total governmental activities	34,683,045	1,735,632	2,220,482	5,873,466	(24,853,465)	-	(24,853,465)	-
Business-type activities:								
Sewer	1,416,415	1,691,088	-	-	-	274,673	274,673	-
Solid waste	1,201,044	1,368,712	-	-	-	167,668	167,668	-
Total business-type activities	2,617,459	3,059,800	-	-	-	442,341	442,341	-
Total primary government	\$ 37,300,504	\$ 4,795,432	\$ 2,220,482	\$ 5,873,466	(24,853,465)	442,341	(24,411,124)	-
COMPONENT UNITS								
Poquoson Public Schools	\$ 28,960,581	\$ 2,025,364	\$ 14,412,059	\$ 824,798	-	-	-	(11,698,360)
Economic Development Authority	47,987	-	-	-	-	-	-	(47,987)
Total component units	\$ 29,008,568	\$ 2,025,364	\$ 14,412,059	\$ 824,798	-	-	-	(11,746,347)
General revenues:								
Real estate and personal property taxes					28,712,844	-	28,712,844	-
Sales and use taxes					1,448,279	-	1,448,279	2,851,738
Meals taxes					1,107,374	-	1,107,374	-
Business license taxes					756,511	-	756,511	-
Consumer utility taxes					323,472	-	323,472	-
Recordation taxes					247,694	-	247,694	-
Other local taxes					210,147	-	210,147	-
Payments from the City of Poquoson					-	-	-	11,342,205
Reimbursements from other agencies not restricted to specific programs					206,753	-	206,753	-
Miscellaneous					437,647	912,000	1,349,647	371,128
Unrestricted investment earnings					2,130,466	53,885	2,184,351	-
Transfers (Note 13)					350,000	(350,000)	-	-
Total general revenues, transfers, and miscellaneous					35,931,187	615,885	36,547,072	14,565,071
Change in net position					11,077,722	1,058,226	12,135,948	2,818,724
NET POSITION (DEFICIT)								
Beginning of year					35,175,198	10,957,522	46,132,720	(2,088,925)
End of year					\$ 46,252,920	\$ 12,015,748	\$ 58,268,668	\$ 729,799

The Notes to Financial Statements are an integral part of this statement.

City of Poquoson, Virginia

Exhibit C

Balance Sheet - Governmental Fund

June 30, 2024

	City TBD.FD(010) FINAL(7) General	City TBD.FD(020) FINAL(7) Debt Service	City TBD.FD(030) FINAL(7) Capital Projects	City TBD.FD(040) FINAL(7) Grants Special Revenue	Total Governmental Funds
ASSETS					
Cash and investments	\$ 16,175,406	\$ 86,361	\$ 3,756,435	\$ 8,594,222	\$ 28,612,424
Restricted cash and investments	-	-	4,635,758	-	4,635,758
Property taxes receivable, net	945,124	-	-	-	945,124
Other receivables	109,654	-	-	-	109,654
Due from component units	746,650	-	-	-	746,650
Notes receivable, component unit	1,293,591	-	-	-	1,293,591
Due from other governmental units	1,539,719	-	33,027	-	1,572,746
Leases receivable	1,667,350	-	-	-	1,667,350
Total assets	<u>\$ 22,477,494</u>	<u>\$ 86,361</u>	<u>\$ 8,425,220</u>	<u>\$ 8,594,222</u>	<u>\$ 39,583,297</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 1,053,609	\$ 900	\$ 502,845	\$ 1,392,327	\$ 2,949,681
Unearned revenues	277,987	-	-	7,024,186	7,302,173
Total liabilities	<u>1,331,596</u>	<u>900</u>	<u>502,845</u>	<u>8,416,513</u>	<u>10,251,854</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue, property taxes	792,067	-	-	-	792,067
Leases	1,542,219	-	-	-	1,542,219
Total deferred inflows of resources	<u>2,334,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,334,286</u>
FUND BALANCES (Note 11)					
Nonspendable	1,293,591	-	-	-	1,293,591
Restricted	444,711	-	4,578,233	-	5,022,944
Committed	3,825,569	-	-	-	3,825,569
Assigned	862,211	85,461	3,344,142	177,709	4,469,523
Unassigned	12,385,530	-	-	-	12,385,530
Total fund balances	<u>18,811,612</u>	<u>85,461</u>	<u>7,922,375</u>	<u>177,709</u>	<u>26,997,157</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 22,477,494</u>	<u>\$ 86,361</u>	<u>\$ 8,425,220</u>	<u>\$ 8,594,222</u>	<u>\$ 39,583,297</u>

Reconciliation of Balance Sheet to the Statement of Net Position - Governmental Fund
June 30, 2024

TOTAL FUND BALANCES PER EXHIBIT C - BALANCE SHEET - GOVERNMENTAL FUNDS	\$ 26,997,157
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION (EXHIBIT A) ARE DIFFERENT BECAUSE:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation (excluding \$7,149 related to Internal Service Fund).	60,700,071
Deferred outflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds (excluding \$56,821 related to Internal Service Fund).	2,036,619
Deferred outflows and inflows of resources for gain/loss on refunding in governmental activities are not financial resources and, therefore, are not reported in the funds.	295,419
Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	792,067
Other liabilities not paid from current period revenues are not reported in funds for:	
Accrued interest	(456,240)
Accrued compensated absences (excluding \$33,882 related to Internal Service Fund)	(711,949)
Net pension liability (excluding \$52,899 related to Internal Service Fund)	(1,893,908)
Net OPEB liability (excluding \$70,262 related to Internal Service Fund)	(2,515,520)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(37,820,399)
Deferred inflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds (excluding \$33,263 related to Internal Service Fund).	(1,190,905)
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	20,508
Net position of governmental activities	<u><u>\$ 46,252,920</u></u>

City of Poquoson, Virginia

Exhibit D

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund

Year Ended June 30, 2024

	City TBD-FD(010) FINAL(7)	City TBD-FD(020) FINAL(7)	City TBD-FD(030) FINAL(7)	FINAL(7) City TBD-FD(040) Grants Special Revenue	Total Governmental Funds
	General	Debt Service	Capital Projects		
REVENUES					
General property taxes	\$ 26,684,001	\$ -	\$ -	\$ -	\$ 26,684,001
Other local taxes	4,093,477	-	-	-	4,093,477
Permits, privilege fees, and regulatory licenses	330,050	-	-	-	330,050
Fines and forfeitures	49,936	-	-	-	49,936
Use of money and property	1,820,076	-	305,684	4,706	2,130,466
Charges for services	906,542	-	-	-	906,542
Intergovernmental	4,719,703	-	1,276,716	4,596,750	10,593,169
Miscellaneous	156,989	15,415	344,145	-	516,549
Total revenues	38,760,774	15,415	1,926,545	4,601,456	45,304,190
EXPENDITURES					
General government administration	2,916,682	-	-	-	2,916,682
Public safety and judicial	10,405,225	-	-	84,000	10,489,225
Public works	2,336,345	-	-	-	2,336,345
Health and welfare	1,383,433	-	-	-	1,383,433
Parks, recreation, and cultural	2,183,493	-	-	-	2,183,493
Community development	709,925	-	-	-	709,925
Nondepartmental	232,687	-	-	65,056	297,743
Education	10,300,540	-	-	639,966	10,940,506
Economic Development Authority	21,000	-	-	49,064	70,064
Capital outlay	146,226	-	3,926,572	3,758,665	7,831,463
Debt service:					
Principal retirement	20,883	2,638,000	-	-	2,658,883
Interest and fiscal charges	2,349	1,279,644	-	-	1,281,993
Bond issuance costs	-	84,964	-	-	84,964
Total expenditures	30,658,788	4,002,608	3,926,572	4,596,751	43,184,719
Excess (deficiency) of revenues over (under) expenditures	8,101,986	(3,987,193)	(2,000,027)	4,705	2,119,471
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	82,164	1,917,836	-	2,000,000
Subscription financing	148,575	-	-	-	148,575
Transfers in (Note 13)	350,000	4,068,000	1,116,850	-	5,534,850
Transfers out (Note 13)	(4,941,509)	(243,341)	-	-	(5,184,850)
Total other financing sources (uses)	(4,442,934)	3,906,823	3,034,686	-	2,498,575
Net change in fund balances	3,659,052	(80,370)	1,034,659	4,705	4,618,046
FUND BALANCES					
Beginning of year	15,152,560	165,831	6,887,716	173,004	22,379,111
End of year	<u>\$ 18,811,612</u>	<u>\$ 85,461</u>	<u>\$ 7,922,375</u>	<u>\$ 177,709</u>	<u>\$ 26,997,157</u>

**Reconciliation of Statement of Revenues, Expenditures, and Changes in
Fund Balances to the Statement of Activities - Governmental Fund
Year Ended June 30, 2024**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 4,618,046
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:	
Some revenues will not be collected for several months after the City's fiscal year-end. They are not considered "available" revenues and are deferred in the governmental funds. Unavailable revenues changed by this amount this year.	105,412
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.	
Capital outlay	7,887,563
Depreciation and amortization expense	(2,603,376)
Gain on termination of subscription agreement	1,165
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Deferred refunding charge, net	(106,565)
Repayment of debt principal and leases	2,659,495
Issuance of debt	(2,000,000)
Subscription financing acquired	(148,575)
Amortization of premiums	233,473
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of the changes in:	
Accrued interest	6,360
Compensated absences	41,430
Pension expense, net of contributions	370,353
OPEB expense, net of contributions	(9,165)
Internal service fund is used by management to charge the cost of fleet management to individual departments. The net income of the fleet management fund is reported with governmental activities.	22,106
Change in net position of governmental activities	<u><u>\$ 11,077,722</u></u>

City of Poquoson, Virginia

Exhibit E

Statement of Net Position - Proprietary Funds

June 30, 2024

	City TBD.FD[050] FINAL[7]	City TBD.FD[070] FINAL[7]	City TBD.FD[090] FINAL[7]	
	Business-Type Activities Proprietary Funds		Governmental Activities - Internal Service Fund	
	Sewer Operations	Solid Waste	Total	
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 5,814,546	\$ 321,769	\$ 6,136,315	\$ 145,250
Accounts receivable	268,952	243,226	512,178	-
Other current assets	30,618	18,038	48,656	19,074
Total current assets	6,114,116	583,033	6,697,149	164,324
NONCURRENT ASSETS				
Capital assets:				
Land	217,666	-	217,666	-
Buildings	123,549	9,023	132,572	41,742
Sewer system	22,551,562	-	22,551,562	-
Machinery and equipment	2,084,975	584,856	2,669,831	44,372
Construction in progress	81,183	-	81,183	-
Accumulated depreciation	(16,716,666)	(481,904)	(17,198,570)	(78,965)
Total noncurrent assets	8,342,269	111,975	8,454,244	7,149
Total assets	<u>\$ 14,456,385</u>	<u>\$ 695,008</u>	<u>\$ 15,151,393</u>	<u>\$ 171,473</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	\$ 61,005	\$ 11,513	\$ 72,518	\$ 45,024
Deferred outflows related to OPEB	15,963	3,013	18,976	11,797
Total deferred outflows of resources	<u>\$ 76,968</u>	<u>\$ 14,526</u>	<u>\$ 91,494</u>	<u>\$ 56,821</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 20,611	\$ 118,916	\$ 139,527	\$ 11,276
Accrued payroll	21,131	3,234	24,365	6,204
Accrued interest	11,775	-	11,775	-
Compensated absences	3,059	232	3,291	3,388
Bonds payable	655,000	-	655,000	-
Total current liabilities	711,576	122,382	833,958	20,868
NONCURRENT LIABILITIES				
Net pension liability	71,578	13,508	85,086	52,899
Compensated absences	27,532	2,091	29,623	30,494
Bonds payable	2,006,000	-	2,006,000	-
Net OPEB liabilities	95,071	17,942	113,013	70,262
Total noncurrent liabilities	2,200,181	33,541	2,233,722	153,655
Total liabilities	<u>\$ 2,911,757</u>	<u>\$ 155,923</u>	<u>\$ 3,067,680</u>	<u>\$ 174,523</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	\$ 33,550	\$ 6,332	\$ 39,882	\$ 24,795
Deferred inflows related to OPEB	11,459	2,162	13,621	8,468
Deferred refunding costs	105,956	-	105,956	-
Total deferred inflows of resources	<u>\$ 150,965</u>	<u>\$ 8,494</u>	<u>\$ 159,459</u>	<u>\$ 33,263</u>
NET POSITION				
Net investment in capital assets	\$ 5,575,313	\$ 111,975	\$ 5,687,288	\$ 7,149
Unrestricted	5,895,318	433,142	6,328,460	13,359
Total net position	<u>\$ 11,470,631</u>	<u>\$ 545,117</u>	<u>\$ 12,015,748</u>	<u>\$ 20,508</u>

The Notes to Financial Statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds

Year Ended June 30, 2024

	City TBD.FD[050] FINAL[7]	City TBD.FD[070] FINAL[7]		City TBD.FD[090] FINAL[7]
	Business-Type Activities Proprietary Funds			Governmental Activities - Internal Service Fund
	Sewer Operations	Solid Waste	Total	
OPERATING REVENUES				
Charges for services	\$ 1,691,088	\$ 1,368,712	\$ 3,059,800	\$ 999,761
Total operating revenues	1,691,088	1,368,712	3,059,800	999,761
EXPENSES				
Personnel services	466,045	120,968	587,013	332,704
Contractual services	125,445	558,768	684,213	607,869
Materials and supplies	121,546	63,696	185,242	9,230
Utilities	103,265	91	103,356	5,319
Depreciation	559,216	11,683	570,899	919
Other charges	33,638	4,359	37,997	21,614
Waste disposal	-	441,479	441,479	-
Total operating expenses	1,409,155	1,201,044	2,610,199	977,655
Operating income	281,933	167,668	449,601	22,106
NONOPERATING REVENUES (EXPENSES)				
Interest income	53,878	7	53,885	-
Interest and fiscal charges	(7,260)	-	(7,260)	-
Sewer availability fees	912,000	-	912,000	-
Total nonoperating revenues	958,618	7	958,625	-
INCOME BEFORE TRANSFERS	1,240,551	167,675	1,408,226	22,106
TRANSFERS				
Transfers out	(300,000)	(50,000)	(350,000)	-
Change in net position	940,551	117,675	1,058,226	22,106
NET POSITION (DEFICIT)				
Beginning of year	10,530,080	427,442	10,957,522	(1,598)
End of year	<u>\$ 11,470,631</u>	<u>\$ 545,117</u>	<u>\$ 12,015,748</u>	<u>\$ 20,508</u>

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2024

	City TBD.FD[050] FINAL[7]	City TBD.FD[070] FINAL[7]	City TBD.FD[090] FINAL[7]	
	Business-Type Activities			
	Sewer Operations	Solid Waste	Total	Internal Service Fund
OPERATING ACTIVITIES				
Received from customers and users	\$ 1,689,788	\$ 1,331,434	\$ 3,021,222	\$ 999,761
Payments to suppliers for goods and services	(412,380)	(1,072,331)	(1,484,711)	(658,207)
Payments to employees	(449,631)	(127,772)	(577,403)	(343,300)
Net cash provided (used) by operating activities	827,777	131,331	959,108	(1,746)
NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(300,000)	(50,000)	(350,000)	-
CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on bonds payable	(645,000)	-	(645,000)	-
Sewer availability fees	912,000	-	912,000	-
Interest paid on bonds payable	(39,011)	-	(39,011)	-
Acquisition and construction of capital assets	(119,957)	-	(119,957)	(6,600)
Net cash provided (used) by capital and related financing activities	108,032	-	108,032	(6,600)
INVESTING ACTIVITIES				
Interest received	53,878	7	53,885	-
Net increase (decrease) in cash and investments	689,687	81,338	771,025	(8,346)
CASH AND INVESTMENTS				
Beginning of year	5,124,859	240,431	5,365,290	153,596
End of year	<u>\$ 5,814,546</u>	<u>\$ 321,769</u>	<u>\$ 6,136,315</u>	<u>\$ 145,250</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	\$ 281,933	\$ 167,668	\$ 449,601	\$ 22,106
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation	559,216	11,683	570,899	919
Pension recovery, net of employer contributions	(8,634)	(2,753)	(11,387)	(10,651)
OPEB expense, net of employer contributions	8,667	(107)	8,560	(320)
Changes in assets and liabilities:				
Accounts receivable	(1,300)	(37,278)	(38,578)	-
Other current assets	(23,013)	(14,138)	(37,151)	2,984
Accounts payable and accrued liabilities	(5,473)	10,200	4,727	(17,159)
Accrued payroll	5,857	(1,551)	4,306	520
Compensated absences	10,524	(2,393)	8,131	(145)
Net cash provided (used) by operating activities	<u>\$ 827,777</u>	<u>\$ 131,331</u>	<u>\$ 959,108</u>	<u>\$ (1,746)</u>

City of Poquoson, Virginia

Exhibit H

Statement of Fiduciary Net Position

June 30, 2024

	CITY TBD.FD[048] FINAL[7] Other Postemployment Benefits Trust Fund	CITY TBD.FD[100] FINAL[7] Library Custodial Fund
ASSETS		
Cash and cash equivalents	\$ 85,869	\$ 19,467
Investments in pooled funds	264,329	-
	\$ 350,198	\$ 19,467
LIABILITIES		
Advance payments	\$ 9,835	\$ -
NET POSITION		
Restricted for postemployment benefits other than pensions	\$ 340,363	\$ -
Restricted for others	-	19,467
	\$ 340,363	\$ 19,467

City of Poquoson, Virginia

Exhibit I

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2024

	CITY TBD.FD[048] FINAL[7] Other Postemployment Benefits Trust Fund	CITY TBD.FD[100] FINAL[7] Library Custodial Fund
ADDITIONS		
Contributions, retirees	\$ 84,716	\$ -
Interest	-	1,035
Contributions from primary government	80,556	-
Increase in fair value of investments	42,468	-
Decrease in fair value of investments	(23,324)	-
Total additions	184,416	1,035
DEDUCTIONS		
Retirement benefits	157,255	-
Net change in fiduciary net position	27,161	1,035
NET POSITION		
Beginning of year	313,202	18,432
End of year	<u>\$ 340,363</u>	<u>\$ 19,467</u>

City of Poquoson, Virginia

Exhibit J

Combining Statement of Net Position - Component Units

June 30, 2024

FINAL[7]
GOVWDF[13]

	Poquoson City Public Schools	Economic Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 4,153,690	\$ 24,109	\$ 4,177,799
Restricted cash and cash equivalents	563,188	-	563,188
Due from other governments	741,836	-	741,836
Other receivables	136,855	-	136,855
Inventory	22,262	-	22,262
Prepaid items	90,000	-	90,000
Net pension asset	9,234	-	9,234
Capital assets:			
Nondepreciable/nonamortizable	450,876	1,976,632	2,427,508
Depreciable/amortizable, net	12,095,425	14,324	12,109,749
Total assets	<u><u>\$ 18,263,366</u></u>	<u><u>\$ 2,015,065</u></u>	<u><u>\$ 20,278,431</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	\$ 3,877,264	\$ -	\$ 3,877,264
Deferred outflows related to OPEB	610,190	-	610,190
Total deferred outflows of resources	<u><u>\$ 4,487,454</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,487,454</u></u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 3,226,091	\$ 250	\$ 3,226,341
Accrued interest payable	994	5,546	6,540
Due to primary government	746,650	1,293,591	2,040,241
Noncurrent liabilities:			
Due within one year	237,839	-	237,839
Due in more than one year	15,665,673	-	15,665,673
Total liabilities	<u><u>\$ 19,877,247</u></u>	<u><u>\$ 1,299,387</u></u>	<u><u>\$ 21,176,634</u></u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	\$ 2,450,645	\$ -	\$ 2,450,645
Deferred inflows related to OPEB	408,807	-	408,807
Total deferred inflows of resources	<u><u>\$ 2,859,452</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,859,452</u></u>
NET POSITION (DEFICIT)			
Net investment in capital assets	\$ 12,429,769	\$ 1,990,956	\$ 14,420,725
Restricted for:			
Pension	9,234	-	9,234
Education	1,024,550	-	1,024,550
Unrestricted (deficit)	(13,449,432)	(1,275,278)	(14,724,710)
Total net position	<u><u>\$ 14,121</u></u>	<u><u>\$ 715,678</u></u>	<u><u>\$ 729,799</u></u>

City of Poquoson, Virginia

Exhibit K

Combining Statement of Activities - Component Units

Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Contributions	Poquoson City Public Schools	Economic Development Authority	Total
Poquoson City Public Schools							
Education	\$ 28,960,581	\$ 2,025,364	\$ 14,412,059	\$ 824,798	\$ (11,698,360)	\$ -	\$ (11,698,360)
Economic Development Authority	47,987	-	-	-	-	(47,987)	(47,987)
	\$ 29,008,568	\$ 2,025,364	\$ 14,412,059	\$ 824,798	(11,698,360)	(47,987)	(11,746,347)
General revenues:							
Sales tax					2,851,738	-	2,851,738
City of Poquoson					11,321,205	21,000	11,342,205
Miscellaneous					371,128	-	371,128
Total general revenues					14,544,071	21,000	14,565,071
Change in net position					2,845,711	(26,987)	2,818,724
NET POSITION (DEFICIT)							
Beginning of year					(2,831,590)	742,665	(2,088,925)
End of year					\$ 14,121	\$ 715,678	\$ 729,799

The Notes to Financial Statements are an integral part of this statement.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies

The accounting policies of the City of Poquoson, Virginia (City) and its component units conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to government units. The following is a summary of the more significant accounting policies:

Financial reporting entity

The City, which was a part of York County for many years, became a town in 1952 and an independent city in 1975 upon referendum of the citizens. Certain municipal functions continue to be shared with York County including the Courts, Social Services, Sheriff's Department, and E-911 Center. The City is organized under the Council-Manager form of government. The Poquoson City Council is comprised of seven members who are elected by voters on a non-partisan basis and serve four-year staggered terms.

The reporting entity of the City has been determined in accordance with U.S. GAAP established by the Governmental Accounting Standards Board (GASB). As required by those principles, these financial statements present the City (Primary Government) and its discretely presented component units, the Poquoson City Public Schools (PCPS), and the Economic Development Authority (EDA).

The City's reporting entity consists of the Primary Government as well as its component units, which are legally separate entities for which a Primary Government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: (a) the Primary Government is accountable for the component unit and (b) the Primary Government is able to impose its will upon the component unit (or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the Primary Government).

PCPS is responsible for elementary and secondary education in the City. The members of the School Board are appointed by the City Council. PCPS is fiscally dependent upon the City because the City's governing body, City Council, levies the necessary taxes, approves the issuance of bonds, and provides the financial resources to be used for acquisition or construction of PCPS facilities and to provide funding for the operations. Therefore, PCPS is included in the component unit column of the City's financial statements because of the significance of its financial relationship with the City. Furthermore, PCPS meets the criteria for discrete presentation and is, therefore, presented in a separate component unit's column in the basic financial statements to emphasize that it is legally separate from the City. PCPS does not issue separate financial statements.

The EDA is a legally separate corporation established under the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia, together with ordinances adopted by the City Council. The EDA was established to promote industry, to develop trade within the City, and to attract institutions of higher education to locate or remain in the City. Its income is derived from appropriations from the City, fees and land sales, and rental of property. The EDA is also included in the component unit's column of the City's financial statements because the City is able to impose its will on the EDA by appointment of the governing body. In addition, the City Council funds a portion of the EDA's operating budget. Therefore, the EDA is financially dependent on the City. The EDA does not issue separate financial statements.

The entities described in Note 14, Related Party Transactions, are excluded from the City's Annual Comprehensive Financial Report (ACFR) as the City does not have financial accountability over their activities.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies (Continued)

Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Primary Government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the Primary Government is reported separately from certain legally separate component units for which the Primary Government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City uses an internal service fund to account for its fleet of vehicles. Because this service predominantly benefits governmental, rather than business-type, functions the fleet fund has been included with governmental activities in the government-wide financial statements. Fiduciary funds are not included in the government-wide financial statements since they are used to report assets held in trust for others and, therefore, cannot be used to support the City's own programs.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and, therefore, have been recognized as revenues of the current fiscal period. All revenue items are considered to be measurable and available only when cash is received by the government.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies (Continued)

Measurement focus, basis of accounting, and financial statement presentation (Continued)

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major City or Schools capital assets, other than those financed by proprietary funds.

The *Grants Special Revenue Fund* accounts for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administration action.

The City reports the following major enterprise funds:

The *Sewer Operations Fund* provides maintenance to the sewer lines and pump stations and derives the majority of its revenue through user charges and fees.

The *Solid Waste Fund* accounts for the collection, disposal, and recycling of household and municipal solid waste, bulky items, and landscaping debris and derives its primary revenue from user fees.

The City reports the following additional proprietary fund type:

The *Internal Service Fund* consists of the Fleet Management Fund which accounts for the operation of the City's central automotive maintenance service facility. The Fleet Management Fund provides services to all City and Schools departments and/or other governmental units on a cost-reimbursement basis.

Additionally, the City reports the following fiduciary fund types:

The *Other Postemployment Benefits Trust Fund (OPEB Trust Fund)* accounts for future benefits payable for eligible retirees of the City towards health insurance coverage in a plan covered by the City.

The *Library Custodial Fund* accounts for monies donated by the Friends of the Library for furnishings and supplies for the library.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies (Continued)

Budget and budgetary accounting

City

Budgets are employed by the Primary Government as a financial control device for the General Fund, Debt Service Fund, Capital Projects Fund, Grants Special Revenue Fund, and Proprietary Funds. An annual appropriated budget is legally adopted for the General Fund through ordinances passed by City Council.

Annual budgets prepared by management are utilized for the Debt Service Fund and Proprietary Funds. Program and project budgets are utilized to control expenditures in the Capital Projects Fund and Grants Special Revenue Fund. Therefore, the Debt Service Fund, Capital Projects Fund, Grants Special Revenue Fund, and Proprietary Funds are not included in the budget and actual comparisons.

Budgets are adopted on a budgetary basis, which is consistent with U.S. GAAP except encumbrances are included as budgetary expenditures. Budgeted amounts reflected in the Primary Government are as originally adopted and amended by City Council.

Supplemental budget appropriations were approved during the fiscal year ended June 30, 2024, for an increase in appropriations in the amount of \$2,955,201 for fund balance appropriation, additional grant funding, and other financing sources for the Primary Government General Fund.

For the General Fund, the City Manager is authorized to transfer budgeted amounts between functions. Revisions that alter the total appropriations for a fund must be approved by City Council. Therefore, the level of control at which expenditures may not exceed appropriations is the total expenditure level of each fund. Unencumbered appropriations lapse at year-end.

Component Unit - Poquoson City Public Schools

PCPS approves the annual operating budget for its General Fund. An annual operating budget is not adopted for the Schools Special Revenue Fund; therefore, it is not included in the budget and actual comparison of the component unit.

For the PCPS General Fund, the Superintendent has authorization to transfer funds within categories but must obtain authorization from the School Board for transfers between categories. City Council appropriates local funds. The School Board must authorize any increase in grant funds.

Cash and investments

For purposes of reporting cash flows, the City considers all highly liquid investments which, when purchased, have a maturity of three months or less to be cash equivalents.

Investments consist of the State Treasurer's Local Government Investment Pool (LGIP), VML/VACo Virginia Investment Pool, federal government obligations, and the State Non-Arbitrage Program (SNAP). Investments with a maturity date of one year or less are stated at amortized cost. All other investments are stated at fair value.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies (Continued)

Allowance for uncollectible accounts

The City (Primary Government) calculates its allowance for uncollectible property taxes receivable using historical collection data. At June 30, 2024, the allowance approximated \$305,000 in the General Fund. All other receivables have experienced a high collection rate; therefore, an allowance for doubtful accounts has not been established by City management for other receivables.

Inventory

Inventory in the Fleet Management Internal Service Fund consists of supplies held for future use and is valued at cost (first-in, first-out method). Inventory in the Schools' Special Revenue Fund consists principally of items held for resale and are valued at cost (first-in, first-out method). Inventory is recognized as expenditures when consumed.

Capital assets

Capital outlays are recorded as expenditures of the governmental funds and as assets in the government- wide financial statements to the extent that the City's capitalization threshold is met.

Capital outlays of the proprietary funds and the EDA are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds' basis and the government-wide basis.

The City's capitalization policy threshold is \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated assets are valued at acquisition value. Assets acquired under leases are capitalized at the net present value of all lease payments.

The estimated useful lives of capital assets are as follows:

Buildings	15 – 40 years
Building improvements	5 – 40 years
Infrastructure	20 – 50 years
Machinery and equipment	3 – 50 years
Machinery and equipment, leased	term of lease
Subscription asset	term of arrangement
Land improvements	10 – 50 years
Sewer system	40 years

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, or equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the current year's operations.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies (Continued)

Deferred outflows and inflows of resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources represent a consumption of net assets that applies to future periods and will not be recognized as an expense or an expenditure until that time. The City reports deferred outflows of resources for deferred charges on refunding and amounts related to pensions and other postemployment benefits (OPEB) in the government-wide and proprietary fund Statements of Net Position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price, which is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows for pensions and OPEB result from changes in actuarial assumptions, change in the proportionate share of total pension and OPEB liabilities, actual economic experience that is different than estimated, differences in projected and actual earnings on plan investments, and contributions made subsequent to the measurement date. Deferred outflows of resources resulting from contributions made subsequent to the measurement date but before the end of the employer's reporting period will be recognized as a reduction (increase) of the net pension and OPEB liability (asset) in the fiscal year ending June 30, 2024. Changes in deferred outflows of resources, other than subsequent contributions, are amortized over the remaining service life of all plan participants.

In addition to liabilities, the financial statements will sometimes provide a separate section for deferred inflows of resources represent an acquisition of net assets that applies to future periods and will not be recognized as revenue until that time. Deferred inflows of resources are reported for amounts related to deferred charges on refunding and amounts related to leases, pensions, and OPEB in the government-wide and proprietary fund Statements of Net Position. Deferred lease amounts are amortized over the lives of the related leases on a straight-line basis. Actuarial losses resulting from actual economic experience that is different than estimated, pension and OPEB trust investment returns that are lower than projected earnings, changes in actuarial assumptions for pension and OPEB programs, and changes in proportionate share of pension and OPEB liabilities are deferred and amortized. Changes in deferred inflows of resources are amortized over the remaining service life of all plan participants, with the exception of investment experience amounts, which are deferred and amortized over a closed five-year period.

Unearned revenues

In June of 2021, the City received funding of \$7,557,432 from the American Rescue Plan Act (ARPA) of 2021 provided by the Federal Government to help address the public health emergency with respect to a novel strain of coronavirus (COVID-19). The funds were received as a pass-through from the Commonwealth of Virginia. In July 2022, the second portion of the ARPA money of \$7,557,432 was awarded to the City. A portion of these funds, totaling \$7,008,975, were not spent during FY24, and are reported as unearned revenues in the Grants fund on the basic financial statements and will be recognized as revenue as earned in future periods to cover the cost for expenditures through the period of performance as defined by the grant agreement.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies (Continued)

Compensated absences

City employees are granted vacation and sick pay in varying amounts based on years of service. Employees may accumulate, subject to certain limitations, unused vacation and sick pay earned and, upon retirement, termination, or death, may be compensated for certain amounts at specified rates. The cost of accumulated vacation and sick pay expected to be paid from future expendable resources, both the current and noncurrent portions, is accounted for as a liability in the government-wide financial statements and proprietary fund financial statements, and charged to the General Governmental Fund, Sewer Fund, Solid Waste Fund, and Internal Service Fund based upon employees' duties.

The Schools also accrue compensated absences (annual and sick leave benefits) when vested. The current and noncurrent portions of the compensated absences are recorded in their government-wide financial statements.

Compensated absences are reported in governmental funds only if they have matured (i.e., unused, reimbursable leave still outstanding following an employee's resignation or retirement).

Fund balances/net positions

Fund balances have been classified to reflect the limitations and restrictions placed on the respective funds as follows:

Nonspendable - Includes amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.

Restricted - Includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

Committed - Includes amounts that can be used only for the specific purposes determined by a formal action (ordinance) of the City Council. The committed amounts cannot be used for any purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit these amounts.

Assigned - Includes amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council's delegation of this authority to the City Manager, Superintendent of Schools, or State Statute.

Unassigned - Is the residual classification for the City's General Fund and includes all spendable amounts not contained in other classifications. The general fund is the only fund that reports a positive unassigned fund balance amount. It is possible for the non-general funds to have negative unassigned fund balances when nonspendable and restricted amounts exceed the positive fund balance for that fund.

The City's policy is to apply expenditures against restricted resources first when either restricted or unrestricted amounts are available. Within the unrestricted fund balance, it is the City's policy to apply expenditures against committed amounts first, followed by assigned, and then unassigned amounts.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies (Continued)

Fund balances/net positions (Continued)

City Council has adopted a fund balance policy to maintain a General Fund unassigned fund balance at the close of each fiscal year equal to 12% - 15% of total General Fund operating expenditures. If the fund balance falls below the minimum target level, the policy provides for actions to replenish the amount to the minimum target level. Generally, replenishment is to occur within 24 months.

Net position in government-wide financial statements is classified as net investment in capital assets, restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments, or imposed by law through State Statute.

Sewer availability fees

Amounts charged to customers to connect to the City's sewer system are recognized as nonoperating revenue.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred flows of resources, revenue and expenses, and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Concentration risk

The assessed value of real estate for the City's ten largest taxpayers comprises 3.87% of the City's real estate tax base. Concentration of credit risk with respect to receivables is limited due to the large number of customers comprising the City's customer base.

Leases

The City recognizes lease liabilities and intangible right-to-use lease assets (lease assets) in the statement of net position related to lease agreements.

At the commencement of a lease, the City initially measures the lease liability at the present value of future payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, if any. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

The City also recognizes a lease receivable and a deferred inflow of resources related to a lease agreement where it is the lessor. At the commencement of a lease, the City initially measures the lease receivable at the present value of future payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue on a straight-line basis over the life of the lease term.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

1. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease payments/receipts to present value, (2) lease term, and (3) lease payments/receipts.

The City uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

2. Deposits and Investments

Deposits

Deposits with banks are collateralized in accordance with the Virginia Security for Public Deposits Act, 2.2-4400 et. seq. of the Code of Virginia (Act) or covered by the Federal Depository Insurance Corporation. Under this Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral equal to 50% of such deposits to a collateral pool (the Pool) in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

However, all qualified bank's public deposits are considered 100% insured because the Act provides for additional assessments to be made. This means that if a qualified bank were to fail, all collateral in the Pool would be used to recover the public deposits held at that bank. In addition, if the collateral were inadequate to cover all public deposits, additional amounts would be assessed on a pro-rata basis to each member of the Pool. Therefore, the Act ensures there will be no loss of public funds and that makes the Pool similar to depository insurance.

At June 30, 2024, no balances of the Primary Government or its component units were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

2. Deposits and Investments (Continued)

Investments

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, prime quality commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, and the Virginia Treasurer's LGIP, which is managed in accordance with the "2a-7 like pool" risk limiting requirements of U.S. GAAP with portfolio securities valued by the amortized cost method. The fair value of the LGIP is the same as the value of the pool shares. Investments with a maturity date of one year or less are stated at amortized cost. As of June 30, 2024, the City had \$4,635,758 invested in SNAP, which values portfolio securities by the amortized cost method in accordance with U.S. GAAP and periodically monitors the relationship between the amortized cost value per share and the net asset value (NAV) per share based upon available indications of fair value and takes corrective action, if required, to minimize any dilution or other unfair results which might arise from differences between amortized cost and NAV. All other investments are stated at fair value.

In accordance with the Code of Virginia and other applicable laws and regulations, the City's investment policy (Policy) permits investments in U.S. government obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, prime quality commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, negotiable certificates of deposit, bank notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, and the State Treasurer's LGIP.

The City participates in the Virginia Pooled OPEB Trust administered by the VML/VACo Finance. Funds of participating jurisdictions are pooled and invested in the name of the Virginia Pooled OPEB Trust. The City's investment amounts are reported in the Statement of Fiduciary Net Position. The Board of Trustees of the Virginia Pooled OPEB Trust has adopted an investment policy to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection. Investments are structured to achieve a compound annualized total expected rate of return over a market cycle, including current income and capital appreciation, of 7.5%. Investment decisions for the fund's assets are made by the Board of Trustees. The Board of Trustees establishes investment objectives, risk tolerance, and asset allocation policies in light of market and economic conditions and generally prevailing prudent investment practices. The Board of Trustees also monitors the investments through the appointment and oversight of investment managers and ensures adherence to the adopted policies and guidelines. Specific investment information and written investment policies for the Virginia Pooled OPEB Trust can be obtained by writing to VML/VACo Finance Program, 8 E. Canal Street, Richmond, VA 23219.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

2. Deposits and Investments (Continued)

Investment policy

The Policy establishes limitations on the holdings on non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each security is as follows:

U.S. Government Obligations	100% maximum
Registered Money Market Mutual Funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Bank deposits	75% maximum
Repurchase agreements	50% maximum
Bankers' acceptances	40% maximum
Commercial paper	20% maximum
Negotiable certificates of deposit / bank notes	20% maximum
Municipal obligations	20% maximum
Corporate notes	10% maximum

For the purposes of this Policy, assets of the City shall be segregated into three categories based on expected liquidity needs and purposes: short-term operating funds, the core portfolio, and bond proceeds.

Short-Term Operating Funds

Assets categorized as short-term funds will be invested in permitted investments maturing in 12 months or less. The average weighted maturity of the short-term assets will not exceed 180 days. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio will be continuously invested in readily available funds such as the LGIP, money market mutual funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

Core Portfolio

The General Fund core portfolio will be invested in permitted investments with a stated maturity of no more than three years from the date of purchase.

Bond proceeds

Proceeds from the sale of bonds will be invested in compliance with the specific requirements of the bond covenants without further restriction as to the maximum term to maturity of securities purchased. However, in no case will bond proceeds be invested in securities with a term to maturity that exceeds the expected disbursement date of those funds.

Credit risk

As required by State Statute, the Policy requires commercial paper to have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, and Fitch Investor's Service. Corporate notes, negotiable certificates of deposit, and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investors Service.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

2. Deposits and Investments (Continued)

Credit risk (Continued)

Although State Statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances, or money market mutual funds, the City has established stringent credit standards for these investments to minimize portfolio risk. The City's investments held by an outside brokerage and investment banking firm are rated "AAA" and "AA" by Standard & Poor's and "Aaa" or "Aa2" by Moody's Investors Service.

Concentration of credit risk

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the City's portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Treasury	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Each Money Market Fund	50% maximum
Each Repurchase Agreement Counterparty	25% maximum

Interest rate risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the City's Policy limits investment of operating funds to investments with a stated maturity of no more than three years from the date of purchase.

Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities.

Custodial risk

For an investment, custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Policy requires that all investment securities purchased by the City or held as collateral on deposits or investments shall be held by the City or by a third party custodial agent who may not otherwise be counterparty to the investment transaction.

As of June 30, 2024, with the exception of the LGIP, all of the City's investments are held in a bank's trust department in the City's name.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

2. Deposits and Investments (Continued)

Custodial risk (Continued)

The carrying values and weighted average maturity of the City's investments were as follows:

	Investment Maturities (in years)		
	Fair Value	Less Than 1 Year	1 - 3 Years
Commonwealth of Virginia LGIP	\$ 24,354,831	\$ 24,354,831	\$ -
VML/VACo Pooled OPEB Trust Fund	264,329	-	264,329
VIP	6,497,619	6,472,442	25,177
SNAP	4,635,758	-	4,635,758
Total investments	35,752,537	<u>\$ 30,827,273</u>	<u>\$ 4,925,264</u>
Reconciliation to total cash and investments:			
Add: cash on hand and in banks	<u>8,887,862</u>		
Total cash and investments	44,640,399		
Less: cash and investments held in fiduciary funds	<u>369,665</u>		
Total cash and investments, Exhibit A, Primary Government and Component Units	<u>\$ 44,270,734</u>		

3. Property Tax Receivables

Real estate taxes are levied based on the assessed value of the property on each July 1 and attached as an enforceable lien on property as of July 1. Personal property taxes are levied based on the assessed value of the property on each January 1. Real estate and personal property taxes are payable in two installments on December 5 and June 5. The City bills and collects its own property taxes.

	Governmental Activities
Real estate taxes	\$ 524,727
Personal property taxes	724,227
Public service taxes	<u>1,170</u>
	1,250,124
Less: allowance for uncollectible accounts	<u>(305,000)</u>
Property tax receivables, net	<u>\$ 945,124</u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

4. Notes Receivable

The City has a \$1,293,591 note receivable from the EDA. In fiscal year 2013, the EDA borrowed \$1,734,000 from the City to pay off their line of credit, which became due on June 30, 2013. The funds for this note receivable were obtained when the City issued a \$1,734,000 general obligation bond on June 12, 2013, along with a \$300,000 taxable line of credit for future economic development use (see Notes 6 and 9). The EDA has agreed to pay interest and principal when due and will pay a minimum of 50% of the proceeds of any sale of property towards principal until the debt is paid in full. In fiscal year 2023, the EDA contributed three parcels of vacant land to the City with a value of \$354,313.

5. Due from Other Governments

Due from other governments consists of the following:

Primary government

Commonwealth of Virginia:

Communications sales and use tax	\$ 22,440
Virginia Tourism Grant	13,332
Children's Services Act	141,467
Division of Motor Vehicles	9,812
Shared Salary and Fringes	26,019
Meals tax	94,767
PPTRA	884,118
Recordation tax	25,554
Sales tax	100,526
Deed of Conveyance	8,674
VDOT	26,378
Law Enforcement Equipment Grant	6,649
School Resource Officer Grants	16,613
Total due from the Commonwealth of Virginia	<u>1,376,349</u>

Federal government:

DUI Grants - Selective Enforcement - Alcohol	2,252
FEMA Assistance to Firefighters Grant	159,251
Port Security Grant – Fire	24,775
Byrne Justice Grant	2,619
Federal LEMPG Planning Grant	7,500
Total due from the federal government	<u>196,397</u>
Total due from other governments	<u>\$ 1,572,746</u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

5. Due from Other Governments (Continued)

Component unit - School Board

Commonwealth of Virginia:

Sales tax	\$ 251,076
Technology reimbursement	<u>95,394</u>
Total due from the Commonwealth of Virginia	<u>346,470</u>

Federal Government:

Department of Education Program, Title VI-B	160,264
Various Grants	152,452
CARES ESSER III	<u>82,650</u>

Total due from the Federal government	<u>395,366</u>
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Total due from other governments	<u><u>\$ 741,836</u></u>
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6. Receivables and Payables - Component Units

Details of the receivables and payables between the Primary Government and component units at June 30, 2024, are as follows:

<u>Primary Government Receivable</u>	<u>Component Unit Payable</u>	<u>Total</u>
Due from EDA - Note receivable	Due to Primary Government	\$ 1,293,591
Due from Schools	Due to Primary Government	<u>746,650</u>
		<u><u>\$ 2,040,241</u></u>

See Notes 4 and 9 for more information regarding the EDA's \$1,293,591 note receivable due to the City.

7. Leases

City as Lessor

The City, as a lessor, has entered into three agreements for the lease of real property to be used by the lessees as sites for communications towers/equipment. During the year ended June 30, 2024, the City recognized lease and interest revenue of \$71,266 and \$55,048, respectively, related to these leases. The leases are as follows:

1. An initial lease receivable was recorded in the amount of \$432,987. As of June 30, 2024, the value of the lease receivable is \$409,324. The lessee was required to make an annual payment of \$19,008 in 2023 with the payment increasing by 20% for 2024 and subsequently increasing 20% every five years thereafter through 2043. The lease carries an interest rate of 3.25%. The value of the deferred inflow of resources as of June 30, 2024, was \$388,758, and the City recognized lease revenue of \$20,550 during the year.
2. An initial lease receivable was recorded in the amount of \$489,156. As of June 30, 2024, the value of the lease receivable is \$456,363. The lessee is required to make annual payments of \$20,736 through 2024 with the payment increasing by 20% for 2025 and subsequently increasing 20% every five years thereafter through 2044. The lease carries an interest rate of 3.25%. The value of the deferred inflow of resources as of June 30, 2024, was \$422,955, and the City recognized lease revenue of \$22,067 during the year.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

3. An initial lease receivable was recorded in the amount of \$816,448. As of June 30, 2024, the value of the lease receivable is \$801,663. The lessee was required to make monthly payments of \$2,566 through December 2022 with the payments increasing by 3% annually through 2049. The lease carries an interest rate of 3.25%. The value of the deferred inflow of resources as of June 30, 2024, was \$730,506, and the City recognized lease revenue of \$28,649 during the year.

The future payments under these lease agreements are as follows:

Year Ending June 30,	Principal	Interest	Total Receipts
2025	\$ 26,335	\$ 54,509	\$ 80,844
2026	28,213	53,626	81,839
2027	30,183	52,680	82,863
2028	36,811	51,668	88,479
2029	44,105	50,438	94,543
2030-2034	278,960	228,153	507,113
2035-2039	427,828	172,398	600,226
2040-2044	473,682	90,762	564,444
2045-2049	287,361	30,520	317,881
2050-2054	33,872	322	34,194
Total future payments	<u>\$ 1,667,350</u>	<u>\$ 785,076</u>	<u>\$ 2,452,426</u>

School Board as Lessee

The School Board, as a lessee, has entered into a noncancellable lease agreement for the use of a copier. Payments of \$3,921 are due monthly through September 2026 and are discounted at 8.50%. During the year ended June 30, 2024, the School Board reported interest expense of \$7,130 related to this lease (see Note 9).

Future maturities are as follows:

	Principal	Interest	Total
2025	\$ 40,440	\$ 6,613	\$ 47,053
2026	44,014	3,039	47,053
2027	11,598	165	11,763
	<u>\$ 96,052</u>	<u>\$ 9,817</u>	<u>\$ 105,869</u>

Related lease assets totaling \$124,212, offset by accumulated amortization of \$31,053, is included in leased capital assets, net on the statement of net position as of June 30, 2024 (see Note 8).

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

8. Capital Assets

A summary of changes in capital assets for the governmental activities is as follows:

	<u>Balance at July 1, 2023</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2024</u>
Capital assets not subject to depreciation or amortization:				
Land	\$ 3,807,229	\$ -	\$ 29,781	\$ 3,777,448
Construction in process	<u>1,132,755</u>	<u>7,138,674</u>	<u>2,798,118</u>	<u>5,473,311</u>
Total capital assets not subject to depreciation or amortization	<u>4,939,984</u>	<u>7,138,674</u>	<u>2,827,899</u>	<u>9,250,759</u>
Capital assets subject to depreciation and amortization:				
Buildings	10,645,664	158,806	-	10,804,470
Building improvements	574,415	713,894	-	1,288,309
Infrastructure	40,384,319	1,170,445	-	41,554,764
Land improvements	5,041,786	523,135	-	5,564,921
Machinery and equipment	11,230,137	745,282	87,415	11,888,004
Subscription asset	<u>74,353</u>	<u>148,575</u>	<u>74,353</u>	<u>148,575</u>
Total capital assets subject to depreciation and amortization	<u>67,950,674</u>	<u>3,460,137</u>	<u>161,768</u>	<u>71,249,043</u>
Accumulated depreciation and amortization:				
Buildings	7,310,074	348,383	-	7,658,457
Building improvements	303,534	62,610	-	366,144
Infrastructure	33,886,754	200,905	-	34,087,659
Land improvements	2,979,239	176,077	-	3,155,316
Machinery and equipment	7,934,197	668,346	87,415	8,515,128
Subscription asset	<u>20,654</u>	<u>26,416</u>	<u>24,784</u>	<u>22,286</u>
Total accumulated depreciation and amortization	<u>52,434,452</u>	<u>1,482,737</u>	<u>112,199</u>	<u>53,804,990</u>
Total capital assets subject to depreciation and amortization, net, before allocation from School Board	<u>15,516,222</u>	<u>1,977,400</u>	<u>49,569</u>	<u>17,444,053</u>
Allocation of School Board assets:				
Buildings	43,049,273	123,251	-	43,172,524
Accumulated depreciation	<u>8,038,558</u>	<u>1,121,558</u>	<u>-</u>	<u>9,160,116</u>
Total allocated from School Board	<u>35,010,715</u>	<u>(998,307)</u>	<u>-</u>	<u>34,012,408</u>
Total capital assets subject to depreciation and amortization	<u>50,256,937</u>	<u>979,093</u>	<u>49,569</u>	<u>51,456,461</u>
Total capital assets	<u>\$ 55,466,921</u>	<u>\$ 8,117,767</u>	<u>\$ 2,877,468</u>	<u>\$ 60,707,220</u>

The City has various construction projects in process as of year-end under which it is committed to payments to contractors not included in accounts payable at year-end. The total outstanding commitment for these projects at June 30, 2024 is \$6,643,852.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

8. Capital Assets (Continued)

Depreciation and amortization were charged to governmental functions as follows:

General government administration	\$ 239,656
Public safety	651,212
Public works	455,954
Parks, recreation, and cultural	134,996
Education	1,121,558
Internal Service Fund	919
	<u><u>\$ 2,604,295</u></u>

A summary of changes in capital assets for the business-type activities is as follows:

	<u>Balance at July 1, 2023</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2024</u>
Capital assets not subject to depreciation:				
Land	\$ 217,666	\$ -	\$ -	\$ 217,666
Construction in process	<u>-</u>	<u>81,183</u>	<u>-</u>	<u>81,183</u>
Total capital assets not subject to depreciation	<u>217,666</u>	<u>81,183</u>	<u>-</u>	<u>298,849</u>
Capital assets subject to depreciation:				
Buildings	132,572	-	-	132,572
Machinery and equipment	2,631,057	38,774	-	2,669,831
Sewer system	<u>22,551,562</u>	<u>-</u>	<u>-</u>	<u>22,551,562</u>
Total capital assets subject to depreciation	<u>25,315,191</u>	<u>38,774</u>	<u>-</u>	<u>25,353,965</u>
Accumulated depreciation:				
Buildings	51,584	7,716	-	59,300
Machinery and equipment	1,644,158	109,649	-	1,753,807
Sewer system	<u>14,931,929</u>	<u>453,534</u>	<u>-</u>	<u>15,385,463</u>
Total accumulated depreciation	<u>16,627,671</u>	<u>570,899</u>	<u>-</u>	<u>17,198,570</u>
Total capital assets subject to depreciation	<u>8,687,520</u>	<u>(532,125)</u>	<u>-</u>	<u>8,155,395</u>
Total capital assets	<u><u>\$ 8,905,186</u></u>	<u><u>\$ (450,942)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,454,244</u></u>

Depreciation of the business-type activities was charged to enterprise funds as follows:

Sewer Fund	\$ 559,216
Solid Waste Fund	11,683
	<u><u>\$ 570,899</u></u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

8. Capital Assets (Continued)

A summary of changes in capital assets for the Schools is as follows:

	<u>Balance at July 1, 2023</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2024</u>
Capital assets not subject to depreciation or amortization:				
Land	\$ 450,876	\$ -	\$ -	\$ 450,876
Construction in progress	<u>2,402,034</u>	<u>1,375,489</u>	<u>3,777,523</u>	<u>-</u>
Total capital assets not subject to depreciation and amortization	<u>2,852,910</u>	<u>1,375,489</u>	<u>3,777,523</u>	<u>450,876</u>
Capital assets subject to depreciation and amortization:				
Buildings and building improvements	57,529,413	3,887,624	114,679	61,302,358
Infrastructure	322,571	55,400	-	377,971
Land improvements	4,395,102	-	-	4,395,102
Machinery and equipment	4,220,388	691,885	38,196	4,874,077
Machinery and equipment, leased	-	124,212	-	124,212
Subscription asset	<u>34,185</u>	<u>-</u>	<u>-</u>	<u>34,185</u>
Total capital assets subject to depreciation and amortization	<u>66,501,659</u>	<u>4,759,121</u>	<u>152,875</u>	<u>71,103,905</u>
Accumulated depreciation and amortization:				
Buildings and building improvements	17,066,305	1,437,519	74,402	18,429,422
Infrastructure	44,472	16,920	-	61,392
Land improvements	3,162,541	183,905	-	3,346,446
Machinery and equipment	2,834,560	321,685	38,160	3,118,085
Machinery and equipment, leased	-	31,053	-	31,053
Subscription asset	<u>6,837</u>	<u>6,837</u>	<u>-</u>	<u>13,674</u>
Total accumulated depreciation and Amortization	<u>23,114,715</u>	<u>1,997,919</u>	<u>112,562</u>	<u>25,000,072</u>
Total capital assets subject to depreciation and amortization, net, before allocation to City	<u>43,386,944</u>	<u>2,761,202</u>	<u>40,313</u>	<u>46,107,833</u>
Allocation to City:				
Buildings	43,049,273	123,251	-	43,172,524
Accumulated depreciation	<u>8,038,558</u>	<u>1,121,558</u>	<u>-</u>	<u>9,160,116</u>
Total allocated to City	<u>35,010,715</u>	<u>(998,307)</u>	<u>-</u>	<u>34,012,408</u>
Total capital assets subject to depreciation and amortization	<u>8,376,229</u>	<u>3,759,509</u>	<u>40,313</u>	<u>12,095,425</u>
Total capital assets	<u>\$ 11,229,139</u>	<u>\$ 5,134,998</u>	<u>\$ 3,817,836</u>	<u>\$ 12,546,301</u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

8. Capital Assets (Continued)

A summary of changes in capital assets for the EDA is as follows:

	<u>Balance at July 1, 2023</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2024</u>
Capital assets not subject to depreciation:				
Land	\$ 1,976,632	\$ -	\$ -	\$ 1,976,632
Capital assets subject to depreciation:				
Infrastructure	315,273	-	-	315,273
Accumulated depreciation:				
Infrastructure	286,618	14,331	-	300,949
Total capital assets subject to depreciation	28,655	(14,331)	-	14,324
Total capital assets	<u>\$ 2,005,287</u>	<u>\$ (14,331)</u>	<u>\$ -</u>	<u>\$ 1,990,956</u>

9. Long-Term Obligations

Governmental activities

Following is a summary of the changes in long-term liabilities for governmental activities and its Component Unit - Schools:

	<u>Balance July 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2024</u>	<u>Amounts Due Within One Year</u>
<i>Primary Government</i>					
General obligation bonds	\$ 36,525,000	\$ 2,000,000	\$ 2,638,000	\$ 35,887,000	\$ 2,733,000
Unamortized premium	2,041,529	-	233,473	1,808,056	233,473
	38,566,529	2,000,000	2,871,473	37,695,056	2,966,473
Financed purchase obligation	612	-	612	-	-
Subscription liability	48,385	148,575	71,617	125,343	27,474
Net pension liability	1,633,994	312,813	-	1,946,807	-
Net OPEB liability	2,564,750	21,032	-	2,585,782	-
Compensated absences	787,406	1,151,040	1,192,615	745,831	74,583
	<u>\$43,601,676</u>	<u>\$ 3,633,460</u>	<u>\$ 4,136,317</u>	<u>\$43,098,819</u>	<u>\$ 3,068,530</u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

9. Long-Term Obligations (Continued)

Governmental activities (Continued)

	Balance July 1, 2023	Increase	Decrease	Balance June 30, 2024	Amounts Due Within One Year
<i>Component Unit - Schools</i>					
Lease liability	\$ -	\$ 124,212	\$ 28,160	\$ 96,052	\$ 40,440
Subscription liability	26,685	-	6,205	20,480	6,506
Net pension liability	12,880,665	1,978	-	12,882,643	-
Net OPEB liability	2,618,296	-	94,548	2,523,748	152,834
Compensated absences	374,244	962,606	956,261	380,589	38,059
	<u>\$15,899,890</u>	<u>\$ 1,088,796</u>	<u>\$ 1,085,174</u>	<u>\$15,903,512</u>	<u>\$ 237,839</u>

The net pension liabilities, OPEB liabilities, and compensated absences are generally liquidated by the fund for which the employee works, such as for the governmental funds (the General Fund and Internal Service Fund) and for the enterprise funds (the Sewer Fund and the Solid Waste Fund).

Outstanding general obligation bonds of the City's governmental activities are comprised of the following:

General Obligation Bonds, Series 2016 - \$14,830,000 bonds issued and due in annual installments varying from \$40,000 to \$2,245,000 beginning February 2015 through February 2031, with interest payable semi-annually at rates from 2% to 5%.	\$ 7,235,000
General Obligation Bonds, Series 2018 - \$18,070,000 bonds issued and due in annual installments varying from \$100,000 to \$1,565,000 beginning February 2020 through February 2040, with interest payable semi-annually at rates from 3% to 5%.	17,480,000
General Obligation Refunding Bonds, Series 2020A - \$1,385,000 bonds issued and due in annual installments varying from \$41,000 to \$725,000 beginning February 2021 through February 2028, with interest payable semi-annually at rates from 3% to 5%.	1,078,000
General Obligation Refunding Bonds, Series 2020B - \$1,434,000 bonds issued and due in annual installments varying from \$42,000 to \$752,000 beginning February 2021 through February 2028, with interest payable semi-annually at rates from 3% to 5%.	<u>1,112,000</u>
Total (carried forward)	\$ 26,905,000

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

9. Long-Term Obligations (Continued)

Governmental activities (Continued)

Total (<i>brought forward</i>)	\$ 26,905,000
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General Obligation Bonds, Series 2021A - \$3,522,000 bonds issued and due in annual installments varying from \$169,915 to \$346,000 beginning June 2022 through February 2036, with interest payable semi-annually at rates from 3% to 5%.	3,123,000
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General Obligation Bond, Series 2022 - \$4,000,000 bond issued and due in annual installments varying from \$10,000 to \$304,000 beginning February 2023 through February 2042, with interest payable semi-annually at a 3.53% rate.	3,980,000
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General Obligation Bond, Series 2023 - \$2,000,000 bond issued and due in annual installments varying from \$100,000 to \$175,000 beginning February 2024 through February 2038, with interest payable semi-annually at a 4.45% rate.	1,879,000
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\$ 35,887,000

Estimated annual debt service requirements to maturity for general obligation bonds for future years ending June 30, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 2,733,000	\$ 1,194,716
2026	3,024,000	1,066,850
2027	3,157,000	934,493
2028	3,247,000	840,906
2029	2,031,000	747,312
2030 - 2034	9,551,000	2,840,923
2035 - 2039	9,699,000	1,361,755
2040 - 2042	2,445,000	115,688
	<u>\$ 35,887,000</u>	<u>\$ 9,102,643</u>

Financed purchase obligation

In July 2018, the City entered into a financing arrangement to purchase four police vehicles, which were capitalized at a combined cost of \$161,336. The capitalized cost of the police vehicles included the amounts initially recorded at purchase, as well as costs to outfit the vehicles. At June 30, 2024, accumulated depreciation under these leases was \$161,336. The outstanding balance of this financed purchase was paid off during the year ended June 30, 2024.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

9. Long-Term Obligations (Continued)

Governmental activities (Continued)

Debt Limit

The Commonwealth of Virginia imposes a legal limit on the general obligation debt that may be issued by the City to an amount equal to 10% of total assessed value of real property. At June 30, 2024, the City's aggregate general obligation indebtedness was \$168,292,923 less than the allowable limit.

Overlapping debt

There are no overlapping or underlying tax jurisdictions.

Business-type activities

Following is a summary of debt transactions of the enterprise funds:

	<u>Balance July 1, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2024</u>	<u>Amounts Due Within One Year</u>
General obligation					
bonds	\$ 3,306,000	\$ -	\$ 645,000	\$ 2,661,000	\$ 655,000
Net pension liability	65,974	19,112	-	85,086	-
Net OPEB liability	103,554	9,459	-	113,013	-
Compensated absences	24,783	47,848	39,717	32,914	3,291
	<u>\$ 3,500,311</u>	<u>\$ 76,419</u>	<u>\$ 684,717</u>	<u>\$ 2,892,013</u>	<u>\$ 658,291</u>

General long-term obligations and notes payable are comprised of the following:

General Obligation Refunding Sewer Bonds, Series 2021B - \$3,983,000 bonds issued and due in annual installments varying from \$91,888 to \$687,671 through June 2028, with interest payable semi-annually at 3%. \$ 2,661,000

Estimated debt service on the general obligation bonds is payable as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 655,000	\$ 31,400
2026	664,000	23,671
2027	667,000	15,836
2028	675,000	7,965
	<u>\$ 2,661,000</u>	<u>\$ 78,872</u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

9. Long-Term Obligations (Continued)

Business-type activities (Continued)

The City anticipates that all amounts required for the payment of interest and principal on these bonds will be provided by the enterprise fund's revenue; however, the bonds are further collateralized by the full faith and credit of the City.

10. Conduit Debt Obligation

On December 29, 2015, the EDA issued \$9,180,000 Beth Sholom Revenue and Refunding Bonds for the construction and equipping of a renovation project with Beth Sholom Life Care Community Campus owned by Beth Sholom. The costs of financing the project, all expenses of issuing the bonds, and the payments of bond principals and interest, are the responsibility of Beth Sholom. The bonds provide that neither the EDA nor the City shall be obligated to pay the bonds or interest thereon or other costs incident thereto. During 2024, the remaining outstanding balance of the Beth Sholom Revenue and Refunding Bonds was fully paid off.

11. Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds.

Within the Governmental Funds committed fund balance, the City has established a Fiscal Stability Reserve of \$1,100,000. The Fiscal Stability Reserve was initially established by City ordinance to accumulate a balance of \$1,000,000 million to be separate and above the unassigned fund balance policy of 12%. In fiscal year 2024, the Fiscal Stability Reserve was increased to \$1,100,000. The Fiscal Stability Reserve serves as a contingency against unanticipated/emergency expenditures (i.e. hurricane or pandemic related). If the Fiscal Stability Reserve falls below the policy level, the City will adopt a plan as part of the following year's budget process to restore the balance within 24 months from the date of budget adoption.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

11. Fund Balances (Continued)

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Nonspendable:					
EDA note receivable	\$ 1,293,591	\$ -	\$ -	\$ -	\$ 1,293,591
Restricted:					
Asset forfeiture	8,407	-	-	-	8,407
Police - National Night Out	704	-	-	-	704
Police - Recruitment and retention	10,596	-	-	-	10,596
Police - Community engagement	416	-	-	-	416
Four For Life	23,703	-	-	-	23,703
Fire Fund	75,324	-	-	-	75,324
Dominion REPP	38,327	-	-	-	38,327
Library donations	20,383	-	-	-	20,383
Street lights	6,366	-	-	-	6,366
Wetland creation	29,004	-	-	-	29,004
CDBG program revenues	78,699	-	-	-	78,699
Opioid abatement	114,493	-	-	-	114,493
PCB settlement	17,414	-	-	-	17,414
Chesapeake Bay	2,430	-	-	-	2,430
Community center	18,445	-	-	-	18,445
Capital projects	-	-	4,578,233	-	4,578,233
Total restricted	<u>444,711</u>	<u>-</u>	<u>4,578,233</u>	<u>-</u>	<u>5,022,944</u>
Committed:					
Education	2,725,569	-	-	-	2,725,569
Revenue stabilization	1,100,000	-	-	-	1,100,000
Total committed	<u>3,825,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,825,569</u>
Assigned:					
General government and administration	226,308	-	-	-	226,308
Parks, recreational and cultural	11,443	-	-	-	11,443
Public safety and judicial	38,338	-	-	-	38,338
Public works	246,787	-	-	-	246,787
Debt service	-	85,461	-	-	85,461
Capital projects	-	-	3,344,142	-	3,344,142
ARPA	-	-	-	177,709	177,709
Subsequent year budget transfers:					
Capital Projects Fund	210,500	-	-	-	210,500
OPEB Trust Fund	107,835	-	-	-	107,835
EDA Fund	21,000	-	-	-	21,000
Total assigned	<u>862,211</u>	<u>85,461</u>	<u>3,344,142</u>	<u>177,709</u>	<u>4,469,523</u>
Unassigned	<u>12,385,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,385,530</u>
Total fund balances	<u>\$ 18,811,612</u>	<u>\$ 85,461</u>	<u>\$ 7,922,375</u>	<u>\$ 177,709</u>	<u>\$ 26,997,157</u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

12. Contingency

Grants

The City receives grant funds, principally from the United States government, for various programs. Although the City has been audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), these programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. In the opinion of the management of the City, no material refunds will be required as a result of future disallowances of current or prior program expenditures.

Surety bonds

The City maintained the following surety bond coverage on certain employees of the Primary Government and component unit during the fiscal year ended June 30, 2024:

<u>Description</u>	<u>Amount</u>
Virginia Municipal Liability Pool - all City employees	
Employee Dishonesty Blanket Bond	\$ 1,000,000
Virginia Municipal Liability Pool	
Clerk of the School Board	10,000
Deputy Clerk of the School Board	10,000
All School Board Employees, Blanket Bond	200,000

The Commonwealth of Virginia maintained the following surety bond and blanket bond coverage on certain employees pursuant to § 2.2-1840 of the Code of Virginia.

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The risk of loss from certain acts of employees and certain elected officials is insured through commercial insurance. Substantially all other risks are insured through participation in various public entity risk pools operating as common risk management and insurance programs for many local political subdivisions in the Commonwealth of Virginia. The City pays annual premiums to the pool for its general insurance coverage. The agreements of political subdivisions participating in the pools provide that the pools will be self-sustaining through member premiums but will reinsure through commercial companies for excess liability claims. There have been no significant reductions in insurance coverage from the prior year and settled claims have not exceeded the amount of insurance coverage in any of the past three years.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to assign that portion of the applicable appropriation, is employed as an extension of formal budgetary control. At June 30, 2024, the City's General Fund had outstanding encumbrances of \$321,032 and the Component Unit - Schools' General Fund had outstanding encumbrances of \$590,407.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

13. Interfund Transfers

Interfund transfers for the year ended June 30, 2024, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 350,000	\$ 4,941,509
Debt Service Fund	4,068,000	243,341
Capital Projects Fund	1,116,850	-
Sewer Operations Fund	-	300,000
Solid Waste Fund	-	50,000
	<u>\$ 5,534,850</u>	<u>\$ 5,534,850</u>

Purpose:

\$ 4,068,000 From General Fund to Debt Service Fund for current year debt payments.
\$ 1,116,850 From General and Debt Service Fund to Capital Projects Fund to fund capital projects.
\$ 300,000 From Sewer Operations Fund to General Fund to finance general government expenditures.
\$ 50,000 From Solid Waste Fund to General Fund to finance general government expenditures.

14. Related Party Transactions

The City's financial statements do not include certain public commissions and authorities created as separate governmental entities under the laws of the Commonwealth of Virginia. These agencies are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the City, although certain members of their governing bodies are appointed by Council. These entities are the Hampton Roads Planning District Commission (HRPDC), the Virginia Peninsula's Public Service Authority (VPPSA), the Peninsula Council Workforce Development (PCWD), and Colonial Behavioral Health (CBH). Expenditures of these agencies are financed by federal and state grants and fees, including contributions from the City. During the year ended June 30, 2024, the City provided support or paid for services to HRPDC of \$26,263, VPPSA of \$545,259, PCWD of \$3,144, and CBH of \$190,000.

In addition, a conglomerate of municipalities shares certain expenses for maintaining and operating a regional jail and juvenile detention center. During fiscal year 2024, the City incurred expenses for the regional jail and juvenile detention center of \$291,045 and \$30,708, respectively.

The City also participates in a regional animal shelter, Newport News Animal Services, and regional animal control services, Newport News Animal Control, with several other localities. The City paid \$76,600 for its share in fiscal year 2024.

The City shares certain services and their associated costs with York County, including the Circuit Court, Commonwealth's Attorney, Sheriff of York County, and E-911 operations. The City also shares social services with York County. During the year ended June 30, 2024, the City paid \$1,353,856 to York County for these shared services.

City of Poquoson, Virginia

Notes to Basic Financial Statements

June 30, 2024

14. Related Party Transactions (Continued)

The City shares Hampton Steam Plant services and their associated costs with Hampton. During the year ended June 30, 2024, the City paid \$86,020 to Hampton for these shared services.

The Schools' financial statements do not include the New Horizons Education Center. During the year ended June 30, 2024, the Schools provided support of \$846,803 to the New Horizons Education Center.

15. Defined Benefit Pension Plans

Plan descriptions

All full-time, salaried permanent employees of the City and all salaried permanent non-professional employees of the School Board are automatically covered by the VRS Political Subdivision Retirement Plan upon employment. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. The VRS Political Subdivision Retirement Plan is a multiple-employer, agent plan. The VRS Teacher Retirement Plan is a multiple-employer, cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are available at:

- <https://www.varetire.org/members/benefits/defined-benefit/plan1.asp>,
- <https://www.varetire.org/members/benefits/defined-benefit/plan2.asp>,
- <https://www.varetirement.org/hybrid.html>.

Employees covered by benefit terms

As of the June 30, 2022, actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>City</u>	<u>School Board</u>
Inactive members or their beneficiaries currently receiving benefits	94	30
Inactive members:		
Vested	29	12
Non-vested	43	8
Active elsewhere in VRS	44	6
Total inactive members	116	26
Active members	128	22
Total	<u>338</u>	<u>78</u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

15. Defined Benefit Pension Plan (Continued)

Contributions

The contributions requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to Political Subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. The employer actuarially determined contribution rates, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Political Subdivision Plan - City and School Board Non-Professional

The City and School Board's non-professional contractually required contribution rates for the year ended June 30, 2024, were 14.17% and 9.04%, respectively, of covered employee compensation. Contributions to the pension plan from the City and School Board were \$1,119,835 and \$50,903, respectively, for the year ended June 30, 2024.

Teacher Plan - School Board Professional

Each school division's contractually required contribution rate for the year ended June 30, 2024, was 16.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. Contributions to the pension plan from the School Board were \$2,133,918 for the year ended June 30, 2024.

In June 2023, the Commonwealth made a special contribution of approximately \$147.5 million to the VRS Teacher Employee Plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution.

Net pension liability (asset)

Political Subdivision Plan - City and School Board Non-Professional

The net pension liability (asset) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For Political Subdivisions, the net pension liability (asset) was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2022, rolled forward to the measurement date of June 30, 2023.

Teacher Plan - School Board Professional

At June 30, 2024, School Board reported a liability of \$12,882,643 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The School Division's proportion of the net pension liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the School Division's proportion was 0.12746% as compared to 0.13404% at June 30, 2022.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

15. Defined Benefit Pension Plan (Continued)

Actuarial assumptions

The total pension liability for General Employees and Public Safety employees with Hazardous Duty Benefits in the Political Subdivision's Retirement Plan and all employees in the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2022, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Inflation	2.50%
General Employees - Salary increases, including inflation	3.50% - 5.35%
Public Safety Employees with hazardous duty benefits - Salary increases, including inflation	3.50% - 4.75%
Teacher Cost-Sharing Plan - Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates: General employees - 15 to 20% of deaths are assumed to be service related. Public Safety Employees - 45% to 70% of deaths are assumed to be service related. Mortality is projected using the applicable Pub-2010 Morality Table with various setbacks or set forwards for both males and females.

The actuarial assumptions used in the June 30, 2022, valuation was based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study are as follows:

General Employees - Largest 10 - Non-Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rates to better fit experience; adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service; no change to disability rates; no change to salary scale; no change to line of duty disability; and no change to discount rate.

Public Safety Employees - Largest 10 - Hazardous Duty and All Others (Non 10 Largest): Updated mortality table; adjusted retirement rate to better fit experience and increased final retirement age to 70; decreased rates of withdrawal; no change to disability rates; no changes to salary scale; no change to line of duty disability; and no change to discount rate.

Long-term expected rate of return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

15. Defined Benefit Pension Plan (Continued)

Long-term expected rate of return (Continued)

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP – Private Investment Partnership	2.00%	7.18%	0.14%
Cash	<u>1.00%</u>	1.20%	<u>0.01%</u>
Total	<u>100.00%</u>		5.75%
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.25%</u>

*The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions, Political Subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2023, the alternate rate was the employer contribution rate used in the fiscal year 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2022, actuarial valuations, whichever was greater. From July 1, 2023, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

15. Defined Benefit Pension Plan (Continued)

Changes in net pension liability - City Pension Plan

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2022	\$ 41,239,434	\$ 39,539,466	\$ 1,699,968
Changes for the year:			
Service cost	1,066,136	-	1,066,136
Interest	2,770,850	-	2,770,850
Difference between expected and actual experience	399,396	-	399,396
Contributions - employer	-	1,034,988	(1,034,988)
Contributions - employee	-	363,166	(363,166)
Net investment income	-	2,530,817	(2,530,817)
Benefit payments, including refunds of employee contributions	(2,511,870)	(2,511,870)	-
Administrative expense	-	(25,527)	25,527
Other changes	-	1,013	(1,013)
Net changes	1,724,512	1,392,587	331,925
Balances at June 30, 2023	<u>\$ 42,963,946</u>	<u>\$ 40,932,053</u>	<u>\$ 2,031,893</u>

Changes in net pension liability (asset) - Component Unit School Board Non-Professional Plan

	Total Pension Liability (a)	Plan Fiduciary Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2022	\$ 2,571,891	\$ 2,452,636	\$ 119,255
Changes for the year:			
Service cost	44,781	-	44,781
Interest	171,421	-	171,421
Change of assumptions	-	-	-
Difference between expected and actual experience	(115,357)	-	(115,357)
Contributions - employer	-	47,425	(47,425)
Contributions - employee	-	27,191	(27,191)
Net investment income	-	156,243	(156,243)
Benefit payments, including refunds of employee contributions	(154,191)	(154,191)	-
Administrative expense	-	(1,588)	1,588
Other changes	-	63	(63)
Net changes	(53,346)	75,143	(128,489)
Balances at June 30, 2023	<u>\$ 2,518,545</u>	<u>\$ 2,527,779</u>	<u>\$ (9,234)</u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

15. Defined Benefit Pension Plan (Continued),

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) using the discount rate of 6.75%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
City's net pension liability (asset)	\$ 7,655,368	\$ 2,031,893	\$ (2,558,233)
Component Unit School Board:			
Non-Professional Plan's net pension liability (asset)	\$ 269,896	\$ (9,234)	\$ (234,145)
Teacher Plan's net pension liability	\$ 22,836,332	\$ 12,882,643	\$ 4,699,893

Pension expense (recovery) and deferred outflows of resources and deferred inflows of resources related to pensions

Pension expense (recovery) recognized for the year ended June 30, 2024, and the reported deferred inflows and outflows of resources related to pensions at June 30, 2024, were as follows:

	Primary Government	Component Unit Schools Agent Multiple Employer Plan	Teachers' Cost- Sharing Plan
Pension expense (recovery)	\$ 727,599	\$ (107,918)	\$ 898,714
Deferred outflows of resources:			
Change of assumptions	\$ 268,207	\$ -	\$ 584,015
Difference between expected and actual experience	343,731	-	1,106,630
Change in proportionate share of contributions	-	-	1,798
Employer contributions subsequent to the measurement date	1,119,835	50,903	2,133,918
Total deferred outflows of resources	\$ 1,731,773	\$ 50,903	\$ 3,826,361
Deferred inflows of resources:			
Net difference between projected and actual earnings on pension plan investments	\$ 623,277	\$ 42,099	\$ 837,632
Difference between expected and actual experience	329,110	49,439	502,736
Change in proportionate share of contributions	-	-	1,018,739
Total deferred inflows of resources	\$ 952,387	\$ 91,538	\$ 2,359,107

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

15. Defined Benefit Pension Plan (Continued)

Pension expense (recovery) and deferred outflows of resources and deferred inflows of resources related to pensions (Continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or increase to the net pension asset) in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase (reduction) to pension expense as follows:

<u>Year Ending June 30,</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board</u>
2025	\$ (348,711)	\$ (659,864)
2026	(611,776)	(1,085,454)
2027	600,100	843,968
2028	19,938	143,148

Net pension liability – Teachers’ Cost-Sharing Plan

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2023, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total pension liability	\$ 57,574,609
Plan fiduciary net position	47,467,405
Employers’ net pension liability	<u>\$ 10,107,204</u>
Plan fiduciary net position as a percentage of the total pension liability	82.45%

Pension plan data

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2023 Annual Report. A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

16. Postemployment Benefits Other than Pensions (OPEB) - VRS

In addition to their participation in the pension plans offered through the Virginia Retirement System (VRS), the City and School Board also participate in various cost-sharing and agent multi-employer other postemployment benefit plans, described as follows.

Plan descriptions

Group Life Insurance Program

All full-time teachers and employees of political subdivisions are automatically covered by the VRS Group Life Insurance (GLI) Program upon employment.

In addition to the Basic Group Life Insurance Benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

Specific information for the GLI is available at <https://www.varetire.org/members/benefits/life-insurance/basic-group-life-insurance.asp>

Teacher Employee Health Insurance Credit Program

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit (HIC) Program. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

Specific information about the Teacher HIC is available at <https://www.varetire.org/retirees/insurance/healthinscredit/index.asp>

The GLI and Teacher HIC are administered by the VRS along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Both of these plans are considered multiple-employer, cost-sharing plans.

General Employee Health Insurance Credit Program

The General Employee Health Insurance Credit Program (HIC) is available for all full-time, salaried employees of local government entities other than teachers. The General Employee HIC provides all the same benefits as the Teacher HIC, except that this plan is considered a multi-employer, agent defined benefit plan.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

Plan descriptions (Continued)

General Employee Health Insurance Credit Program (Continued)

As of June 30, 2023, actuarial valuation, the following employees were covered by the benefit terms of the General Employee Health Insurance Credit Program:

	<u>City</u>	<u>School Board</u>
Inactive members or their beneficiaries currently receiving benefits	48	19
Inactive members:		
Vested	3	-
Non-vested	-	-
Active elsewhere in VRS	44	6
Total inactive members	47	6
Active members	118	22
	<u>213</u>	<u>47</u>

Contributions

Contributions to the VRS OPEB programs were based on actuarially determined rates from actuarial valuations as of June 30, 2021. The actuarially determined rates were expected to finance the cost of benefits earned by employees during the year, with an additional amount to fund any unfunded accrued liability. Specific details related to the contributions for the VRS OPEB programs are as follows:

Group Life Insurance Program

Governed by: *Code of Virginia* 51.1-506 and 51.1-508 and may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly.

Total rate: 1.34% of covered employee compensation. Rate allocated 60/40; 0.80% employee and 0.54% employer. Employers may elect to pay all or part of the employee contribution.

Contributions:

Year Ended June 30, 2024

Primary Government	\$ 44,694
Component Unit - School Board	\$ 75,874

Year Ended June 30, 2023

Primary Government	\$ 41,172
Component Unit - School Board	\$ 71,180

In June 2023, the Commonwealth made a special contribution of approximately \$10.1 million to the Group Life Insurance plan. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

Contributions (Continued)

Teacher Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1401 and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	1.21% of covered employee compensation.
June 30, 2024 Contribution	\$ 161,836
June 30, 2023 Contribution	\$ 151,920

In June 2023, the Commonwealth made a special contribution of approximately \$4.0 million to the VRS Teacher Health Insurance Credit Program. This special payment was authorized by Chapter 2 of the Acts of Assembly of 2022, Special Session I, as amended by Chapter 769, 2023 Acts of Assembly Reconvened Session, and is classified as a non-employer contribution.

General Employment Health Insurance Credit Program

Governed by:	<i>Code of Virginia</i> 51.1-1400 and may be impacted as a result of funding provided to school divisions by the Virginia General Assembly.
Total rate:	
Primary Government	0.27% of covered employee compensation
Component Unit - School Board	1.17% of covered employee compensation
Contributions:	
Year Ended June 30, 2024	
Primary Government	\$ 19,045
Component Unit - School Board	\$ 7,326
Year Ended June 30, 2023	
Primary Government	\$ 19,045
Component Unit - School Board	\$ 7,326

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB

The net OPEB liabilities were measured as of June 30, 2023, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the net OPEB liabilities were based on the covered employer's actuarially determined employer contributions for the year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB (Continued)

Group Life Insurance Program - Primary Government

June 30, 2024 proportionate share of liability	\$ 388,218
June 30, 2023 proportion	0.03237%
June 30, 2022 proportion	0.03217%
June 30, 2024 expense	\$ 17,281

Group Life Insurance Program - Component Unit School Board

June 30, 2024 proportionate share of liability	\$ 671,136
June 30, 2023 proportion	0.05596%
June 30, 2022 proportion	0.05903%
June 30, 2024 expense	\$ 9,047

Teacher Health Insurance Credit Program

June 30, 2024 proportionate share of liability	\$ 1,525,417
June 30, 2023 proportion	0.12592%
June 30, 2022 proportion	0.13216%
June 30, 2024 expense	\$ 83,166

Since there was a change in proportionate share between measurement dates, a portion of the OPEB expense above was related to deferred amount from changes in proportion.

General Employee Health Insurance Credit Program - Primary Government

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	\$ 325,190	\$ 193,902	\$ 131,288
Changes for the year:			
Service cost	5,443	-	5,443
Interest	21,635	-	21,635
Difference between expected and actual experience	9,846	-	9,846
Contributions - employer	-	19,045	(19,045)
Net investment income	-	11,782	(11,782)
Benefit payments	(20,242)	(20,242)	-
Administrative expenses	-	(289)	289
Other changes	-	28	(28)
Net changes	<u>16,682</u>	<u>10,324</u>	<u>6,358</u>
Balances at June 30, 2023	<u>\$ 341,872</u>	<u>\$ 204,226</u>	<u>\$ 137,646</u>

In addition, for the year ended June 30, 2024, the City recognized OPEB expense of \$15,260 related to the General Employee Health Insurance Credit Program.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB (Continued)

General Employee Health Insurance Credit Program - Component Unit School Board

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	\$ 70,560	\$ 9,775	\$ 60,785
Changes for the year:			
Service cost	507	-	507
Interest	4,596	-	4,596
Difference between expected and actual experience	(138)	-	(138)
Contributions - employer	-	7,326	(7,326)
Net investment income	-	512	(512)
Benefit payments	(5,947)	(5,947)	-
Administrative expenses	-	(9)	9
Other changes	-	132	(132)
Net changes	(982)	2,014	(2,996)
Balances at June 30, 2023	<u>\$ 69,578</u>	<u>\$ 11,789</u>	<u>\$ 57,789</u>

In addition, for the year ended June 30, 2024, the School's recognized OPEB expense of \$5,338 related to the Non-teacher Health Insurance Credit Program.

At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Group Life Insurance Program - Primary Government

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,773	\$ 11,784
Change in assumptions	8,298	26,897
Net difference between projected and actual earnings on OPEB plan investments	-	15,601
Changes in proportion	4,317	6,208
Employer contributions subsequent to the measurement date	44,694	-
	<u>\$ 96,082</u>	<u>\$ 60,490</u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB (Continued)

Group Life Insurance Program - Component Unit School Board

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,030	\$ 20,372
Change in assumptions	14,346	46,499
Net difference between projected and actual earnings on OPEB plan investments	-	26,970
Changes in proportion	3,096	70,703
Employer contributions subsequent to the measurement date	75,874	-
	<u>\$ 160,346</u>	<u>\$ 164,544</u>

Teacher Health Insurance Credit Program - Component Unit School Board

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 67,141
Change in assumptions	35,509	1,537
Net difference between projected and actual earnings on OPEB plan investments	765	-
Changes in proportionate share	26	152,472
Employer contributions subsequent to the measurement date	161,836	-
	<u>\$ 198,136</u>	<u>\$ 221,150</u>

General Employee Health Insurance Credit Program -Primary Government

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,779	\$ 22,278
Change in assumptions	16,170	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,937
Employer contributions subsequent to the measurement date	19,045	-
	<u>\$ 46,994</u>	<u>\$ 24,215</u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

OPEB liabilities, OPEB expense and deferred inflows and outflows of resources related to OPEB (Continued)

General Employee Health Insurance Credit Program - Component Unit School Board

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,884
Change in assumptions	3,321	-
Net difference between projected and actual earnings on OPEB plan investments	43	-
Employer contributions subsequent to the measurement date	7,326	-
	<u>\$ 10,690</u>	<u>\$ 1,884</u>

The deferred outflows of resources related to OPEB resulting from the City and School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB Liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future reporting periods as follows:

Increase (Reduction) to OPEB Expense					
Year	Group Life Insurance Program - Primary Government	Group Life Insurance Program - Component Unit School Board	Teacher Health Insurance Credit Program - Component Unit School Board	General Employee Health Insurance Credit Program - Primary Government	General Employee Health Insurance Credit Program - Component Unit School Board
2025	\$ (3,814)	\$ (23,698)	\$ (41,889)	\$ 1,819	\$ 526
2026	(16,687)	(44,194)	(39,598)	(2,753)	752
2027	5,589	(3,047)	(30,590)	3,212	163
2028	1,558	(9,368)	(32,061)	1,218	39
2029	4,252	235	(26,885)	238	-
Thereafter	-	-	(13,827)	-	-

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

Actuarial assumptions and other inputs

The total OPEB liability was determined using the following assumptions based on an actuarial valuation date of June 30, 2022, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023:

Inflation	2.50%
Salary increases, including inflation:	
Locality - general employees	3.50 - 5.35%
Locality - hazardous duty employees	3.50 - 4.75%
Teachers	3.50 - 5.95%
Healthcare cost trend rates:	
Under age 65	7.00 - 4.75%
Ages 65 and older	5.25 - 4.75%
Investment rate of return, net of expenses, including inflation	6.75%

Mortality rates used for the various VRS OPEB plans are the same as those used for the actuarial valuations of the VRS pension plans. The mortality rates are discussed in detail at Note 15.

Net OPEB liabilities

The net OPEB liabilities represent each program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2023, net OPEB liability amounts for the various VRS OPEB programs are as follows (amounts expressed in thousands):

	Group Life Insurance Program	Teacher Employer Health Insurance Credit Program
Total OPEB Liability	\$ 3,907,052	\$ 1,475,471
Plan fiduciary net position	\$ 2,707,739	\$ 264,054
Employers' net OPEB liability	\$ 1,199,313	\$ 1,211,417
Plan fiduciary net position as a percentage of total OPEB liability	69.30%	17.90%

The total liability is calculated by the VRS actuary and each plan's fiduciary net position is reported in the VRS financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the VRS notes to the financial statements and required supplementary information.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

Long-term expected rate of return

Group Life Insurance and Health Insurance Credit Programs

The long-term expected rate of return on VRS investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	34.00%	6.14%	2.09%
Fixed Income	15.00%	2.56%	0.38%
Credit Strategies	14.00%	5.60%	0.78%
Real Assets	14.00%	5.02%	0.70%
Private Equity	16.00%	9.17%	1.47%
MAPS - Multi-Asset Public Strategies	4.00%	4.50%	0.18%
PIP – Private Investment Partnership	2.00%	7.18%	0.14%
Cash	<u>1.00%</u>	1.20%	<u>0.01 %</u>
	<u>100.00%</u>		5.75%
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>8.25%</u>

*The above allocation provides for a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected rate of return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75% which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including inflation of 2.50%.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

16. Postemployment Benefits Other than Pensions (OPEB) - VRS (Continued)

Discount rate

The discount rate used to measure the total OPEB liabilities was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Guidance, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2023, the rate contributed by the employer for the OPEB liabilities will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 113% of the actuarially determined contribution rate for GLI and 100% of the actuarially determined contribution rate for all other OPEB plans. From July 1, 2023 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liabilities of the City and School Board, as well as what the net OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current discount rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
GLI net OPEB liability:			
Primary Government	\$ 575,460	\$ 388,218	\$ 236,831
Component Unit School Board	\$ 994,833	\$ 671,136	\$ 409,425
General Employee net HIC OPEB liability:			
Primary Government	\$ 174,336	\$ 137,646	\$ 106,609
Component Unit School Board	\$ 63,821	\$ 57,789	\$ 52,543
Teacher net HIC OPEB liability	\$ 1,725,417	\$ 1,525,417	\$ 1,355,934

OPEB plan fiduciary net position

Information about the various VRS OPEB plan fiduciary net position is available in the separately issued VRS 2023 Annual Comprehensive Financial Report (Annual Report). A copy of the 2023 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2023-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

17. Other Postemployment Benefits Liability - Local Plan

Plan description

The City and Schools administer a single employer defined benefit postemployment healthcare plan that covers all current retirees and covered dependents and will provide coverage for all future retirees and their covered dependents. Employees who are eligible for the health plan under normal retirement must have a combination of age (minimum 50 years) and years of service (minimum of five years) equal to 70. For the Schools, no assets are accumulated in a trust that meets U.S. GAAP criteria. In accordance with Article 8, Chapter 15, Title 15.2 of the *Code of Virginia*, the City has elected to establish a pooled trust for the purpose of accumulating and investing assets to fund other postemployment benefits. The City, in accordance with this election, has joined the Virginia Pooled OPEB Trust Fund (Trust Fund), an irrevocable trust, with the purpose to fund other postemployment benefits. The Trust Fund issues separate financial statements, which can be obtained by requesting a copy from the Plan Administrator, VML/VACo Finance, 8 E. Canal Street, Richmond, Virginia 23219.

Benefits provided

City Plan

The City provides postemployment healthcare benefits, in accordance with City policy, to all employees that terminate employment from the City, retire with at least five years of service, retire after having attained at least age 50, and retire having a combination of age and service equal to 70. Postemployment healthcare coverage in the active employee plans is available to both retirees and their spouses until they become eligible for Medicare. Coverage is provided to either the retiree or their spouse after they attain Medicare eligibility through a Medicare supplement plan on a retiree-pay-all basis. Coverage to spouses, both before and after attaining Medicare eligibility, ceases upon the death of the retiree.

Schools' Plan

The Schools provides postemployment healthcare benefits, in accordance with Schools policy, to all employees that terminate employment from the School division, retire with at least five years of service, retire after having attained at least age 50, and retire having a combination of age and service equal to 70. Postretirement healthcare coverage in the active employee plans is available to both retirees and their spouses until they become eligible for Medicare. Coverage is provided to either the retiree or their spouse after they attain Medicare eligibility through a Medicare supplement plan on a retiree-pay-all basis. Coverage to spouses, both before and after attaining Medicare eligibility, ceases upon the death of the retiree.

Employees covered by benefit terms

Participant data as of the June 30, 2023, valuation date is as follows:

	Primary Government	Discretely Presented Component Unit School Board
Active participants	110	181
Retiree participants and spouses	15	8
	125	189

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

17. Other Postemployment Benefits Liability - Local Plan (Continued)

Contributions

The City Council and the Schools have the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% to 100% of the premiums based on the retiree's years of continuous healthcare coverage and the healthcare option selected by the retirees. The required employer contributions are financed based on a pay-as-you-go basis. In addition to ensuring current benefits are financed by current contributions, the City provides for funding to be made to the Virginia Pooled OPEB Trust as described in Note 2. The contributions for the City during the year ended June 30, 2024, were \$80,556. The Schools does not accumulate assets for future benefits and instead operates on a pay-as-you-go basis.

Actuarial assumptions and other inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return*	6.0%
Inflation	2.25%
Growth in Real Income	1.33%
Healthcare cost trend rates	1.10%
Expected Health Share of GDP in 2033	19.00%
Retirees' share of benefit-related costs	24%

*City only. The long-term expected rate of return on OPEB plan investments was determined based on targeted rates of return under the Virginia Pooled OPEB Trust Fund as adopted by their board.

General mortality rates

- Pre-Retirement: Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years
- Post-Retirement: Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years
- Beneficiaries and Survivors: Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

Teacher mortality rates

- Pre-Retirement: Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males
- Post-Retirement: Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females
- Post-Disablement: Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

17. Other Postemployment Benefits Liability - Local Plan (Continued)

Hazardous mortality rates

- Pre-Retirement: Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years
- Post-Retirement: Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years
- Post-Disablement: Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years
- Beneficiaries and Survivors: Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years
- Mortality Improvement Scale: Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2023, valuation was based on the results of an actuarial experience study undertaken on behalf of VRS for the four-year period ending June 30, 2020.

Discount rate

The discount rate used to measure the total OPEB liabilities was 3.93% based on yields for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The rate used in the current valuation is based on the 20-Bond GO index published by Bond Buyer as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Change in net retiree health insurance OPEB liability - City

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2023	\$ 2,462,860	\$ 313,202	\$ 2,149,658
Changes for the year:			
Service cost	95,820	-	95,820
Interest	90,384	-	90,384
Differences between expected and actual experience	43,405	-	43,405
Assumption changes	(14,378)	-	(14,378)
Contributions - employer	-	80,556	(80,556)
Contributions - employee	-	84,716	(84,716)
Benefit payments	(164,797)	(157,254)	(7,543)
Net investment income	-	19,143	(19,143)
Net changes	50,434	27,161	23,273
Balances at June 30, 2024	<u>\$ 2,513,294</u>	<u>\$ 340,363</u>	<u>\$ 2,172,931</u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

17. Other Postemployment Benefits Liability - Local Plan (Continued)

Discretely presented Component Unit - School Board

Changes in the total retiree health insurance OPEB liability – School Board

Balance at June 30, 2023	\$ 195,993
Changes for the year:	
Service cost	10,556
Interest	4,750
Differences between expected and actual experience	209,723
Assumption or other input changes	1,218
Benefit payments	<u>(152,834)</u>
Net changes	<u>73,413</u>
Balance at June 30, 2024	<u>\$ 269,406</u>

Sensitivity of the retiree health insurance OPEB liability to changes in the discount rate

The following presents the City's and School Board's retiree health insurance OPEB liability using the discount rate of 3.93%, as well as what the City and School Board's retiree health insurance OPEB liability would be if it were calculated using a discount rate that is one percentage lower (2.93%) or one percentage higher (4.93%) than the current rate:

	1% Decrease	Discount	1% Increase
	<u>2.93%</u>	<u>Rate</u>	<u>4.93%</u>
City's net retiree health insurance OPEB liability	<u>\$ 2,393,937</u>	<u>\$ 2,172,931</u>	<u>\$ 1,973,929</u>
School Board's total retiree health insurance OPEB liability	<u>\$ 284,629</u>	<u>\$ 269,406</u>	<u>\$ 255,180</u>

Sensitivity of the retiree health insurance OPEB liability to changes in the healthcare cost trend rate

The following represents the City's and School Board's retiree health insurance OPEB liability using the healthcare trend rate of 5.80% as well as what the City and School Board's total retiree health insurance OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage lower (4.80%) or one percentage higher (6.80%) than the current rate:

	1% Decrease	Healthcare	1% Increase
	<u>4.80%</u>	<u>Rate</u>	<u>6.80%</u>
City's net retiree health insurance OPEB liability	<u>\$ 1,943,297</u>	<u>\$ 2,172,931</u>	<u>\$ 2,437,699</u>
School Board's total retiree health insurance OPEB liability	<u>\$ 252,268</u>	<u>\$ 269,406</u>	<u>\$ 288,896</u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

17. Other Postemployment Benefits Liability - Local Plan (Continued)

Retiree health insurance OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2024, the City and School Board recognized retiree health insurance OPEB expense of \$224,140 and \$79,815, respectively. At June 30, 2024, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to the retiree health insurance OPEB program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
City		
Differences between expected and actual experience	\$ 213,774	\$ 17,088
Change in assumptions	83,149	223,491
Net differences between projected and actual earnings	13,162	-
	<u>\$ 310,085</u>	<u>\$ 240,579</u>
School Board		
Differences between expected and actual experience	\$ 237,870	\$ -
Change in assumptions	3,148	21,229
	<u>\$ 241,018</u>	<u>\$ 21,229</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as an increase (reduction) to OPEB expense as follows:

Year Ending June 30,	City	School Board
2025	\$ 69,983	\$ 61,344
2026	9,618	53,025
2027	(20,436)	37,975
2028	3,334	35,579
2029	4,404	31,866
Thereafter	2,603	-

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

18. OPEB Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total City</u>	<u>Total School Board</u>
Net OPEB liability:				
Local Plan	\$ 2,081,939	\$ 90,992	\$ 2,172,931	\$ 269,406
Group Life Insurance Program	371,961	16,257	388,218	671,136
Health Insurance Credit Program	131,882	5,764	137,646	57,789
Teacher Health Insurance Credit Program	-	-	-	1,525,417
Total net OPEB liability	<u><u>\$ 2,585,782</u></u>	<u><u>\$ 113,013</u></u>	<u><u>\$ 2,698,795</u></u>	<u><u>\$ 2,523,748</u></u>
OPEB expense:				
Local Plan	\$ 221,967	\$ 2,173	\$ 224,140	\$ 79,815
Group Life Insurance Program	16,695	586	17,281	9,047
Health Insurance Credit Program	14,621	639	15,260	5,338
Teacher Health Insurance Credit Program	-	-	-	83,166
Total OPEB expense	<u><u>\$ 253,283</u></u>	<u><u>\$ 3,398</u></u>	<u><u>\$ 256,681</u></u>	<u><u>\$ 177,366</u></u>
Deferred outflows:				
Local Plan	\$ 297,100	\$ 12,985	\$ 310,085	\$ 241,018
Group Life Insurance Program	92,059	4,023	96,082	160,346
Health Insurance Credit Program	45,026	1,968	46,994	10,690
Teacher Health Insurance Credit Program	-	-	-	198,136
Total deferred outflows	<u><u>\$ 434,185</u></u>	<u><u>\$ 18,976</u></u>	<u><u>\$ 453,161</u></u>	<u><u>\$ 610,190</u></u>
Deferred inflows:				
Local Plan	\$ 230,505	\$ 10,074	\$ 240,579	\$ 21,229
Group Life Insurance Program	57,957	2,533	60,490	164,544
Health Insurance Credit Program	23,201	1,014	24,215	1,884
Teacher Health Insurance Credit Program	-	-	-	221,150
Total deferred inflows	<u><u>\$ 311,663</u></u>	<u><u>\$ 13,621</u></u>	<u><u>\$ 325,284</u></u>	<u><u>\$ 408,807</u></u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

19. Subscription-Based Information Technology Arrangements

City

The City has a subscription-based information technology arrangement for public safety software. During 2024, the existing agreement was terminated and replaced with a new contract for the same software. A new subscription asset and intangible right-to-use subscription liability, discounted at 8.50%, in the statement of net position was recognized. During the year, subscription amortization and interest expense of \$26,416 and \$8,620, respectively, was recognized which are included in the statement of activities in expenses, for the fiscal year ended June 30, 2024:

Intangible right-to-use subscription liability - July 1, 2023	\$ 48,385
Additions	148,575
Modifications and remeasurements	(50,734)
Subtractions	<u>(20,883)</u>
Balance - June 30, 2024	125,343
Less - current portion of intangible right-to-use subscription liability	<u>(27,474)</u>
Long-term intangible right-to-use subscription liability - June 30, 2024	<u><u>\$ 97,869</u></u>

Future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 27,474	\$ 11,079	\$ 38,553
2026	29,902	8,651	38,553
2027	32,545	6,008	38,553
2028	<u>35,422</u>	<u>3,131</u>	<u>38,553</u>
	<u><u>\$ 125,343</u></u>	<u><u>\$ 28,869</u></u>	<u><u>\$ 154,212</u></u>

School Board

The School Board has a subscription-based information technology arrangement for a communication platform for which it has recognized a subscription asset and intangible right-to-use subscription liability, discounted at 4.75%, in the statement of net position and also recognized subscription amortization and interest expense of \$6,837 and \$994, respectively, which are included in the statement of activities in expenses, for the fiscal year ended June 30, 2024:

Intangible right-to-use subscription liability - July 1, 2023	\$ 26,685
Additions	-
Subtractions	<u>(6,205)</u>
Balance - June 30, 2024	20,480
Less - current portion of intangible right-to-use subscription liability	<u>(6,506)</u>
Long-term intangible right-to-use subscription liability - June 30, 2024	<u><u>\$ 13,974</u></u>

City of Poquoson, Virginia
Notes to Basic Financial Statements
June 30, 2024

19. Subscription-Based Information Technology Arrangements (Continued)

School Board (Continued)

Future maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 6,506	\$ 994	\$ 7,500
2026	6,822	678	7,500
2027	7,152	348	7,500
	<u>\$ 20,480</u>	<u>\$ 2,020</u>	<u>\$ 22,500</u>

20. New Accounting Standards

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement defines and requires governments to disclose the risks related to concentrations of inflows or outflows of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability as well as addressing certain application issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

21. Subsequent Event

In October 2024, the City entered into a \$786,231 purchase order for the purchase of a fire truck.



Required Supplementary Information (Unaudited)

City of Poquoson, Virginia

Exhibit L

Budgetary Comparison Schedule - General Fund (Budget Basis)

Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES	<i>City TBD.FD[010] OBUDGET[18]</i>	<i>City TBD.FD[010] FBUDGET[19]</i>	<i>City TBD.FD[010] BUDACT[17]</i>	
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 22,302,100	\$ 22,302,100	\$ 21,805,139	\$ (496,961)
Public service corporation property taxes	260,000	260,000	217,536	(42,464)
Personal property	4,190,002	4,190,002	4,465,315	275,313
Penalties and interest	145,000	145,000	196,011	51,011
Total general property taxes	26,897,102	26,897,102	26,684,001	(213,101)
Other local taxes:				
Sales and use taxes	1,500,000	1,500,000	1,448,279	(51,721)
Meals taxes	950,000	950,000	1,107,374	157,374
Cigarette taxes	65,000	65,000	69,235	4,235
Consumers' utility taxes	312,000	312,000	323,472	11,472
Consumption tax	40,000	40,000	39,054	(946)
Business license taxes	495,000	495,000	756,511	261,511
Bank stock taxes	18,000	18,000	20,392	2,392
Recordation and wills taxes	290,000	290,000	247,694	(42,306)
Deeds of conveyance	75,000	75,000	81,466	6,466
Total other local taxes	3,745,000	3,745,000	4,093,477	348,477
Permits, privilege fees and regulatory licenses:				
Animal license	1,000	1,000	906	(94)
Permits and other licenses	246,000	246,000	329,144	83,144
Total permits, privilege fees, and and regulatory licenses	247,000	247,000	330,050	83,050
Fines and forfeitures	40,000	40,000	49,936	9,936
Revenue from use of money and property:				
Revenue from use of money	140,000	279,388	1,598,830	1,319,442
Revenue from use of property	194,500	194,500	221,246	26,746
Total revenue from use of money and property	334,500	473,888	1,820,076	1,346,188
Charges for services:				
Charges for copying	4,000	4,000	4,947	947
Charges for passport processing	70,000	70,000	77,802	7,802
Charges for library and fees	100	100	3,965	3,865
EMS revenue recovery	375,000	375,000	406,979	31,979
Charges for parks and recreation programs	120,300	120,300	156,759	36,459
Charges for pool	107,744	107,744	99,610	(8,134)
Charges for events	216,390	216,390	156,480	(59,910)
Total charges for services	893,534	893,534	906,542	13,008

Budgetary Comparison Schedule - General Fund (Budget Basis)

Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES (Continued)				
Miscellaneous revenues:				
Miscellaneous	\$ -	\$ 99,795	\$ 138,021	\$ 38,226
Donations:				
Library	-	5,905	12,021	6,116
Police	-	6,550	6,947	397
Total miscellaneous revenues	-	112,250	156,989	44,739
Intergovernmental:				
Revenues from the Commonwealth:				
Noncategorical aid:				
DMV reimbursement	139,000	139,000	123,107	(15,893)
Gaming fee	-	-	1,612	1,612
Mobile home titling taxes	20,000	20,000	29,805	9,805
Personal property tax relief	1,923,435	1,923,435	1,923,431	(4)
Total noncategorical aid	2,082,435	2,082,435	2,077,955	(4,480)
Categorical aid:				
Shared expenses:				
Commissioner of the Revenue	149,895	149,895	158,268	8,373
Treasurer	133,013	133,013	144,237	11,224
Registrar/electoral board	75,135	75,135	81,007	5,872
Total shared expenses	358,043	358,043	383,512	25,469
Other categorical aid:				
State 599 police funds	285,160	285,160	299,917	14,757
Fire and EMS	73,000	73,000	68,858	(4,142)
Department of Emergency Services	20,000	20,000	20,500	500
Street and highway maintenance	950,000	950,000	950,000	-
Litter control	9,570	12,513	12,513	-
Library	189,359	222,211	222,335	124
Comprehensive Services Act	252,000	490,081	371,846	(118,235)
State drug seizure	-	-	648	648
Other state grants	96,921	118,305	75,565	(42,740)
Total other categorical aid	1,876,010	2,171,270	2,022,182	(149,088)
Total categorical aid	2,234,053	2,529,313	2,405,694	(123,619)
Total revenues from the Commonwealth	4,316,488	4,611,748	4,483,649	(128,099)
Revenues from the federal government:				
Federal grants	14,905	244,851	236,054	(8,797)

Budgetary Comparison Schedule - General Fund (Budget Basis)

Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES (Continued)				
Other financing sources:				
Transfer from Sewer Fund	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
Transfer from Solid Waste Fund	50,000	50,000	50,000	-
Subscription financing	-	-	148,575	148,575
Use of fund balance	-	2,178,357	-	(2,178,357)
Total other financing sources	350,000	2,528,357	498,575	(2,029,782)
Total revenues and other financing sources	36,838,529	39,793,730	39,259,349	(534,381)
EXPENDITURES AND OTHER FINANCING USES				
General government administration:				
Legislative - City Council	104,170	104,170	82,318	21,852
General and financial administration:				
City Manager	612,641	612,640	599,219	13,421
Legal services	136,305	136,305	127,835	8,470
Independent auditor	65,000	65,000	51,283	13,717
Commissioner of the Revenue	419,639	419,639	417,884	1,755
Assessor/equalization board	289,819	289,819	283,919	5,900
Treasurer	381,085	381,085	376,757	4,328
Finance	611,730	634,230	633,865	365
Technology	88,200	88,200	71,291	16,909
Risk management	297,796	113,552	26,155	87,397
Total general and financial administration	2,902,215	2,740,470	2,588,208	152,262
Board of Elections -				
Electoral Board and Registrar	245,201	253,501	253,464	37
Total general government administration	3,251,586	3,098,141	2,923,990	174,151
Judicial administration:				
Courts	351,767	422,786	422,786	-
Sheriff	205,739	225,416	225,416	-
Total judicial administration	557,506	648,202	648,202	-
Public safety:				
Law enforcement and traffic control - police department	4,463,291	4,641,079	4,097,812	543,267
Fire and rescue services - fire department	4,423,869	4,934,673	4,813,276	121,397
Correction and detention - regional operated institutions	359,740	359,740	359,660	80
Inspections - various	355,988	356,188	356,176	12
Other protection - animal control	76,600	76,600	76,600	-
Total public safety	9,679,488	10,368,280	9,703,524	664,756

Budgetary Comparison Schedule - General Fund (Budget Basis)

Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
EXPENDITURES AND OTHER FINANCING USES (Continued)				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration	\$ 262,266	\$ 263,766	\$ 263,628	\$ 138
Highways, streets, bridges, and sidewalks	1,859,045	1,859,075	1,821,430	37,645
Street lights	80,000	93,551	93,548	3
Total maintenance of highways, streets, bridges, and sidewalks	2,201,311	2,216,392	2,178,606	37,786
Maintenance of general buildings and grounds	517,106	535,551	377,796	157,755
Total public works	2,718,417	2,751,943	2,556,402	195,541
Health and welfare:				
Health:				
Local health department	63,487	71,961	71,921	40
Mosquito control	287,152	303,652	303,536	116
Total health	350,639	375,613	375,457	156
Mental health and mental retardation - mental health	190,000	190,000	190,000	-
Welfare:				
Social Services	355,000	355,000	331,335	23,665
Children Services Act	350,000	656,064	486,641	169,423
Total welfare	705,000	1,011,064	817,976	193,088
Total health and welfare	1,245,639	1,576,677	1,383,433	193,244
Education - Schools	11,759,390	13,028,467	10,300,540	2,727,927
Parks, recreation, and cultural:				
Supervision of parks and recreation	598,781	591,181	574,421	16,760
Pool operations	202,382	218,938	218,915	23
Seafood Festival events	306,225	313,707	251,316	62,391
Library - administration	1,063,905	1,121,422	1,113,006	8,416
Total parks, recreation, and cultural	2,171,293	2,245,248	2,157,658	87,590
Community development:				
Planning	456,760	484,774	443,077	41,697
Economic development	115,535	131,310	98,567	32,743
Community development	141,204	151,441	151,441	-
Total community development	713,499	767,525	693,085	74,440

Budgetary Comparison Schedule - General Fund (Budget Basis)

Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance From Final Budget Positive (Negative)
EXPENDITURES AND OTHER FINANCING USES (Continued)				
Nondepartmental:				
Nondepartmental - miscellaneous	\$ 89,303	\$ 80,830	\$ 78,145	\$ 2,685
Department of Motor Vehicles Select	165,908	165,908	159,892	6,016
Total nondepartmental	255,211	246,738	238,037	8,701
Economic Development Authority	21,000	21,000	21,000	-
Debt Service	-	-	23,232	(23,232)
Capital outlay	-	-	146,226	(146,226)
Other financing uses:				
Transfers to Debt Service Fund	3,993,000	4,068,000	4,068,000	-
Transfers to Fiscal Stability Reserve	-	100,000	-	(100,000)
Transfers to Capital Projects Fund	472,500	873,509	873,509	-
Total other financing uses	4,465,500	5,041,509	4,941,509	1,044,662
Total expenditures and other financing uses	36,838,529	39,793,730	35,736,838	5,024,786
Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$ -	\$ -	3,522,511	\$ 4,490,405
Less encumbrances beginning of year, actually expended as of end of year			(184,491)	
Add encumbrances outstanding end of year			321,032	
Excess of revenues and other financing sources over expenditures and other financing uses U.S. GAAP basis			3,659,052	
FUND BALANCE, June 30, 2023			15,152,560	
FUND BALANCE, June 30, 2024			<u>\$ 18,811,612</u>	

City of Poquoson, Virginia

Exhibit M

Schedules of Changes in Net Pension Liability and Related Ratios and Employer Contributions
City

	Plan Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY										
Service cost	\$ 1,066,136	\$ 991,089	\$ 923,895	\$ 931,547	\$ 791,275	\$ 818,997	\$ 724,837	\$ 713,981	\$ 668,757	\$ 699,997
Interest	2,770,850	2,662,047	2,514,455	2,321,430	2,230,741	2,124,606	2,087,510	1,999,442	1,940,826	1,830,447
Changes of assumptions	-	-	1,487,323	-	1,002,882	-	(350,459)	-	-	-
Difference between expected and actual experience	399,396	148,216	(1,825,063)	1,314,714	184,088	299,978	(525,567)	(413,719)	(806,075)	-
Benefit payments, including refunds of member contributions	(2,511,870)	(2,017,124)	(1,793,189)	(1,622,933)	(1,747,386)	(1,707,349)	(1,105,403)	(977,768)	(954,501)	(952,710)
Net change in total pension liability	1,724,512	1,784,228	1,307,421	2,944,758	2,461,600	1,536,232	830,918	1,321,936	849,007	1,577,734
Total pension liability, beginning	41,239,434	39,455,206	38,147,785	35,203,027	32,741,427	31,205,195	30,374,277	29,052,341	28,203,334	26,625,600
Total pension liability, ending (a)	<u>\$ 42,963,946</u>	<u>\$ 41,239,434</u>	<u>\$ 39,455,206</u>	<u>\$ 38,147,785</u>	<u>\$ 35,203,027</u>	<u>\$ 32,741,427</u>	<u>\$ 31,205,195</u>	<u>\$ 30,374,277</u>	<u>\$ 29,052,341</u>	<u>\$ 28,203,334</u>
PLAN FIDUCIARY NET POSITION										
Contributions - employer	\$ 1,034,988	\$ 912,520	\$ 872,454	\$ 679,011	\$ 649,728	\$ 534,293	\$ 527,937	\$ 750,690	\$ 585,103	\$ 506,435
Contributions - employee	363,166	346,944	321,366	327,995	312,348	305,122	319,696	285,757	282,529	274,820
Net investment income	2,530,817	(32,830)	8,775,477	613,743	2,037,562	2,181,520	3,261,440	466,018	1,157,070	3,453,469
Benefit payments, including refunds of member contributions	(2,511,870)	(2,017,124)	(1,793,189)	(1,622,933)	(1,747,386)	(1,707,349)	(1,105,403)	(977,768)	(954,501)	(952,710)
Administrative expenses	(25,527)	(25,144)	(21,817)	(20,983)	(20,533)	(19,140)	(18,731)	(16,118)	(15,704)	(18,572)
Other changes	1,013	928	829	(726)	(1,286)	(1,924)	(2,903)	(196)	(243)	199
Net change in plan fiduciary net position	1,392,587	(814,706)	8,155,120	(23,893)	1,230,433	1,292,522	2,982,036	508,383	1,054,254	3,263,641
Plan fiduciary net position, beginning	39,539,466	40,354,172	32,199,052	32,222,945	30,992,512	29,699,990	26,717,954	26,209,571	25,155,317	21,891,693
Plan fiduciary net position, ending (b)	<u>\$ 40,932,053</u>	<u>\$ 39,539,466</u>	<u>\$ 40,354,172</u>	<u>\$ 32,199,052</u>	<u>\$ 32,222,945</u>	<u>\$ 30,992,512</u>	<u>\$ 29,699,990</u>	<u>\$ 26,717,954</u>	<u>\$ 26,209,571</u>	<u>\$ 25,155,334</u>
Net pension liability (asset), ending (a) - (b)	<u>\$ 2,031,893</u>	<u>\$ 1,699,968</u>	<u>\$ (898,966)</u>	<u>\$ 5,948,733</u>	<u>\$ 2,980,082</u>	<u>\$ 1,748,915</u>	<u>\$ 1,505,205</u>	<u>\$ 3,656,323</u>	<u>\$ 2,842,770</u>	<u>\$ 3,048,000</u>
Plan fiduciary net position as a percentage of the total pension liability	95.27%	95.88%	102.28%	84.41%	91.53%	94.66%	95.18%	87.96%	90.22%	89.19%
Covered payroll	\$ 7,624,453	\$ 6,973,784	\$ 6,608,649	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974	\$ 5,499,693
Net pension liability (asset) as a percentage of covered payroll	26.65%	24.38%	-13.60%	88.27%	46.64%	28.18%	24.73%	63.46%	50.04%	55.42%
	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
SCHEDULE OF EMPLOYER CONTRIBUTIONS										
Contractually required contribution	\$ 1,119,835	\$ 1,034,833	\$ 912,520	\$ 895,472	\$ 701,572	\$ 665,127	\$ 545,751	\$ 527,937	\$ 720,636	\$ 619,948
Contribution in relation to contractually required contribution	1,119,835	1,034,833	912,520	895,472	700,809	671,001	606,319	594,684	747,041	725,460
Contribution (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 763</u>	<u>\$ (5,874)</u>	<u>\$ (60,568)</u>	<u>\$ (66,747)</u>	<u>\$ (26,405)</u>	<u>\$ (105,512)</u>
Covered payroll	\$ 8,267,723	\$ 7,624,453	\$ 6,973,784	\$ 6,608,649	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974
Contributions as a percentage of covered payroll	13.54%	13.57%	13.09%	13.55%	10.40%	10.50%	9.77%	9.77%	12.97%	12.77%

See Independent Auditor's Report and Notes to Required Supplementary Information.

City of Poquoson, Virginia

Exhibit N

Schedules of Changes in Net Pension Liability and Related Ratios and Employer Contributions
Schools

	Plan Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY										
Service cost	\$ 44,781	\$ 38,767	\$ 47,553	\$ 48,576	\$ 47,094	\$ 52,308	\$ 54,653	\$ 59,525	\$ 55,952	\$ 62,503
Interest	171,421	176,803	164,808	157,916	156,768	156,761	160,141	152,141	147,547	143,652
Changes of assumptions	-	-	88,678	-	57,383	-	11,087	-	-	-
Difference between expected and actual experience	(115,357)	(121,393)	21,327	52,913	(5,930)	(52,431)	(127,994)	51,061	20,244	-
Benefit payments, including refunds of employee contributions	(154,191)	(205,660)	(161,184)	(153,418)	(157,314)	(155,741)	(136,614)	(160,271)	(155,952)	(145,077)
Net change in total pension liability	(53,346)	(111,483)	161,182	105,987	98,001	897	(38,727)	102,456	67,791	61,078
Total pension liability, beginning	2,571,891	2,683,374	2,522,192	2,416,205	2,318,204	2,317,307	2,356,034	2,253,578	2,185,787	2,124,709
Total pension liability, ending (a)	<u>\$ 2,518,545</u>	<u>\$ 2,571,891</u>	<u>\$ 2,683,374</u>	<u>\$ 2,522,192</u>	<u>\$ 2,416,205</u>	<u>\$ 2,318,204</u>	<u>\$ 2,317,307</u>	<u>\$ 2,356,034</u>	<u>\$ 2,253,578</u>	<u>\$ 2,185,787</u>
PLAN FIDUCIARY NET POSITION										
Contributions - employer	\$ 47,425	\$ 45,713	\$ 43,124	\$ 40,959	\$ 39,277	\$ 51,238	\$ 55,375	\$ 62,751	\$ 64,124	\$ 70,068
Contributions - employee	27,191	23,112	22,931	25,398	24,035	24,084	25,660	24,934	25,682	23,877
Net investment income	156,243	(1,904)	567,975	40,927	138,194	149,347	227,250	32,149	86,123	264,482
Benefit payments, including refunds of employee contributions	(154,191)	(205,660)	(161,184)	(153,418)	(157,314)	(155,741)	(136,614)	(160,271)	(155,952)	(145,077)
Administrative expenses	(1,588)	(1,635)	(1,465)	(1,442)	(1,434)	(1,330)	(1,339)	(1,222)	(1,229)	(1,455)
Other changes	63	58	53	(48)	(87)	(132)	(201)	(14)	(16)	(14)
Net change in plan fiduciary net position	75,143	(140,316)	471,434	(47,624)	42,671	67,466	170,131	(41,673)	18,732	211,881
Plan fiduciary net position, beginning	2,452,636	2,592,952	2,121,518	2,169,142	2,126,471	2,059,005	1,888,874	1,930,547	1,911,815	1,699,906
Plan fiduciary net position, ending (b)	<u>\$ 2,527,779</u>	<u>\$ 2,452,636</u>	<u>\$ 2,592,952</u>	<u>\$ 2,121,518</u>	<u>\$ 2,169,142</u>	<u>\$ 2,126,471</u>	<u>\$ 2,059,005</u>	<u>\$ 1,888,874</u>	<u>\$ 1,930,547</u>	<u>\$ 1,911,787</u>
Net pension liability (asset), ending (a) - (b)	<u>\$ (9,234)</u>	<u>\$ 119,255</u>	<u>\$ 90,422</u>	<u>\$ 400,674</u>	<u>\$ 247,063</u>	<u>\$ 191,733</u>	<u>\$ 258,302</u>	<u>\$ 467,160</u>	<u>\$ 323,031</u>	<u>\$ 274,000</u>
Plan fiduciary net position as a percentage of the total pension liability	100.37%	95.36%	96.63%	84.11%	89.77%	91.73%	88.85%	80.17%	85.67%	87.46%
Covered payroll	\$ 626,113	\$ 521,656	\$ 516,364	\$ 573,771	\$ 538,066	\$ 526,973	\$ 552,624	\$ 528,531	\$ 613,843	\$ 508,270
Net pension liability as a percentage of covered payroll	-1.5%	22.9%	17.5%	69.83%	45.92%	36.38%	46.74%	88.39%	52.62%	53.91%
	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
SCHEDULE OF EMPLOYER CONTRIBUTIONS										
Contractually required contribution	\$ 50,903	\$ 47,424	\$ 45,713	\$ 49,416	\$ 47,566	\$ 44,606	\$ 55,965	\$ 58,689	\$ 64,375	\$ 74,766
Contribution in relation to contractually required contribution	50,903	47,424	45,713	49,416	47,566	44,606	55,965	58,689	64,375	74,766
Contribution (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 675,877	\$ 626,113	\$ 521,656	\$ 516,364	\$ 573,771	\$ 538,066	\$ 526,973	\$ 552,624	\$ 528,531	\$ 613,843
Contributions as a percentage of covered payroll	7.53%	7.57%	8.76%	9.57%	8.29%	8.29%	10.62%	10.62%	12.18%	12.18%

See Independent Auditor's Report and Notes to Required Supplementary Information.

**Schedules of Changes in Schools' Proportionate Share of the Net Pension Liability and Related Ratios and Employer Contributions
Teachers' Pool**

	Plan Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS										
Employer's Proportion of the net pension liability	0.12746%	0.13404%	0.13798%	0.14042%	0.14177%	0.14390%	0.14631%	0.14548%	0.14682%	0.14753%
Employer's proportionate share of the net pension liability	\$ 12,882,643	\$ 12,761,410	\$ 10,711,522	\$ 20,434,798	\$ 18,657,738	\$ 16,923,000	\$ 17,993,000	\$ 20,387,000	\$ 18,479,000	\$ 62,503
Employer's covered payroll	12,555,408	12,317,738	12,032,677	12,186,554	11,803,449	11,559,264	11,491,017	11,097,066	10,969,314	10,827,561
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	102.61%	103.60%	89.02%	167.68%	158.07%	146.40%	156.58%	183.72%	168.46%	164.66%
Plan fiduciary net position as a percentage of the total pension liability	82.45%	82.61%	85.46%	72.15%	72.92%	72.92%	72.92%	68.28%	7.68%	70.88%
	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
SCHEDULE OF EMPLOYER CONTRIBUTIONS										
Contractually required contribution	\$ 2,133,918	\$ 2,009,791	\$ 1,991,242	\$ 1,999,831	\$ 1,910,852	\$ 1,850,781	\$ 1,886,472	\$ 1,684,583	\$ 1,609,075	\$ 1,590,551
Contribution in relation to contractually required contribution	2,133,918	2,009,791	1,991,242	1,999,831	1,910,852	1,850,781	1,886,472	1,684,583	1,609,075	1,590,551
Contribution (deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 13,374,907	\$ 12,555,408	\$ 12,317,738	\$ 12,032,677	\$ 12,186,554	\$ 11,803,449	\$ 11,559,264	\$ 11,491,017	\$ 11,097,066	\$ 10,969,314
Contributions as a percentage of covered payroll	15.95%	16.01%	16.17%	16.62%	15.68%	15.68%	16.32%	14.66%	14.50%	14.50%

City of Poquoson, Virginia

Exhibit P

Schedules of Employer Share of Net Group Life Insurance Program OPEB Liability and Related Ratios and Employer Contributions
City

	Plan Year									
	2023	2022	2021	2020	2019	2018	2017			
TOTAL GLI OPEB LIABILITY										
Employer's Proportion of the net GLI OPEB liability	0.03237%	0.03217%	0.03204%	0.03278%	0.03261%	0.03274%	0.03300%			
Employer's proportionate share of the net GLI OPEB liability	\$ 388,218	\$ 387,358	\$ 373,031	\$ 547,045	\$ 530,652	\$ 497,000	\$ 497,000			
Covered payroll	\$ 7,624,453	\$ 6,973,784	\$ 6,608,649	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833			
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	5.09%	5.55%	5.64%	8.12%	8.31%	8.01%	8.17%			
Plan fiduciary net position as a percentage of the total GLI OPEB liability	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%			
	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
SCHEDULE OF EMPLOYER CONTRIBUTIONS										
Contractually required contribution	\$ 44,694	\$ 41,172	\$ 37,790	\$ 34,365	\$ 35,045	\$ 33,224	\$ 32,271	\$ 31,652	\$ 30,535	\$ 30,109
Contribution in relation to contractually required contribution	44,694	41,172	37,790	35,178	35,077	33,243	32,368	31,652	27,660	27,243
Contribution (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (813)</u>	<u>\$ (32)</u>	<u>\$ (19)</u>	<u>\$ (97)</u>	<u>\$ -</u>	<u>\$ 2,875</u>	<u>\$ 2,866</u>
Covered payroll	\$ 8,276,619	\$ 7,624,453	\$ 6,973,784	\$ 6,608,649	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974
Contributions as a percentage of covered payroll	0.54%	0.54%	0.54%	0.53%	0.52%	0.52%	0.52%	0.52%	0.48%	0.48%

Notes to Schedule:

Schedule is intended to show information for 10 years. June 30, 2018, was the first year for the proportion schedule. Information prior to June 30, 2018, is not available; however, additional years will be included as they become available.

City of Poquoson, Virginia

Exhibit Q

Schedules of Employer Share of Net Group Life Insurance Program OPEB Liability and Related Ratios and Employer Contributions
Schools

	Plan Year									
	2023	2022	2021	2020	2019	2018	2017			
TOTAL GLI OPEB LIABILITY										
Employer's Proportion of the net GLI OPEB liability	0.05596%	0.05903%	0.06078%	0.06200%	0.06296%	0.06352%	0.06525%			
Employer's proportionate share of the net GLI OPEB liability	\$ 671,136	\$ 710,778	\$ 707,645	\$ 1,034,679	\$ 1,024,528	\$ 964,000	\$ 982,000			
Covered payroll	\$ 13,181,521	\$ 12,839,394	\$ 12,549,041	\$ 12,760,325	\$ 12,341,515	\$ 12,086,237	\$ 12,043,641			
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll	5.09%	5.54%	5.64%	8.11%	8.30%	7.98%	8.15%			
Plan fiduciary net position as a percentage of the total GLI OPEB liability	69.30%	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%			
	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
SCHEDULE OF EMPLOYER CONTRIBUTIONS										
Contractually required contribution	\$ 75,874	\$ 71,180	\$ 69,333	\$ 67,765	\$ 66,354	\$ 64,176	\$ 62,848	\$ 62,627	\$ 55,803	\$ 55,599
Contribution in relation to contractually required contribution	75,874	71,180	69,333	67,765	66,354	64,176	62,848	62,627	55,803	55,599
Contribution (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,050,784	\$ 13,181,521	\$ 12,839,394	\$ 12,549,041	\$ 12,760,325	\$ 12,341,515	\$ 12,086,237	\$ 12,043,641	\$ 11,625,597	\$ 11,583,157
Contributions as a percentage of covered payroll	0.54%	0.54%	0.54%	0.54%	0.52%	0.52%	0.52%	0.52%	0.48%	0.48%

Notes to Schedule:

Schedule is intended to show information for 10 years. June 30, 2018, was the first year for the proportion schedule. Information prior to June 30, 2018, is not available; however, additional years will be included as they become available.

City of Poquoson, Virginia

Exhibit R

Schedules of Employer Share of Net Health Insurance Program OPEB Liability and Related Ratios and Employer Contributions
Teachers' Pool

	Plan Year									
	2023	2022	2021	2020	2019	2018	2017			
TOTAL HIC OPEB LIABILITY										
Employer's Proportion of the net HIC OPEB liability	0.12592%	0.13216%	0.13606%	0.13901%	0.14075%	0.14285%	0.14545%			
Employer's proportionate share of the net HIC OPEB liability	\$ 1,525,417	\$ 1,650,740	\$ 1,746,424	\$ 1,813,409	\$ 1,842,554	\$ 1,814,000	\$ 1,845,000			
Covered payroll	\$ 12,555,408	\$ 12,317,738	\$ 12,032,677	\$ 12,186,554	\$ 11,803,449	\$ 11,559,264	\$ 11,491,017			
Employer's proportionate share of the net HIC OPEB liability as a percentage of its covered payroll	12.15%	13.40%	14.51%	14.88%	15.61%	15.69%	16.06%			
Plan fiduciary net position as a percentage of the total HIC OPEB liability	17.90%	15.08%	13.15%	9.95%	8.97%	8.08%	7.04%			
	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
SCHEDULE OF EMPLOYER CONTRIBUTIONS										
Contractually required contribution	\$ 161,836	\$ 151,920	\$ 149,045	\$ 145,959	\$ 146,239	\$ 141,641	\$ 142,179	\$ 127,550	\$ 117,629	\$ 116,714
Contribution in relation to contractually required contribution	161,836	151,920	149,045	145,596	146,238	141,666	146,364	127,508	117,608	115,710
Contribution (deficiency)	\$ -	\$ -	\$ -	\$ 363	\$ 1	\$ (25)	\$ (4,185)	\$ 42	\$ 21	\$ 1,004
Covered payroll	\$ 13,374,907	\$ 12,555,408	\$ 12,317,738	\$ 12,032,677	\$ 12,186,554	\$ 11,803,449	\$ 11,559,264	\$ 11,491,017	\$ 11,097,066	\$ 10,969,314
Contributions as a percentage of covered payroll	1.21%	1.21%	1.21%	1.21%	1.20%	1.20%	1.27%	1.11%	1.06%	1.05%

Notes to Schedule:

Schedule is intended to show information for 10 years. June 30, 2018, was the first year for the proportion schedule. Information prior to June 30, 2018, is not available; however, additional years will be included as they become available.

City of Poquoson, Virginia

Exhibit S

Schedules of Changes in Net Health Insurance Credit Program OPEB Liability and Related Ratios and Employer Contributions
City

	Plan Year						
	2023	2022	2021	2020	2019	2018	2017
TOTAL HIC OPEB LIABILITY							
Service cost	\$ 5,443	\$ 8,202	\$ 6,950	\$ 6,858	\$ 6,318	\$ 7,276	\$ 6,604
Interest	21,635	21,029	20,550	20,508	18,846	18,485	18,543
Changes of assumptions	-	16,064	6,168	-	7,342	-	(11,226)
Difference between expected and actual experience	9,846	(13,870)	(16,211)	(9,072)	19,919	(2,122)	-
Benefit payments, including refunds of member contributions	(20,242)	(19,159)	(17,950)	(17,398)	(18,268)	(18,707)	(10,779)
Net change in total HIC OPEB liability	16,682	12,266	(493)	896	34,157	4,932	3,142
Total HIC OPEB liability, beginning	325,190	312,924	313,417	312,521	278,364	273,432	270,290
Total HIC OPEB liability, ending (a)	<u>\$ 341,872</u>	<u>\$ 325,190</u>	<u>\$ 312,924</u>	<u>\$ 313,417</u>	<u>\$ 312,521</u>	<u>\$ 278,364</u>	<u>\$ 273,432</u>
PLAN FIDUCIARY NET POSITION							
Contributions - employer	\$ 19,045	\$ 17,403	\$ 16,546	\$ 16,884	\$ 16,003	\$ 14,891	\$ 14,537
Contributions - employee	-	-	-	-	-	-	-
Net investment income	11,782	320	40,690	3,100	9,308	10,020	14,538
Benefit payments, including refunds of member contributions	(20,242)	(19,159)	(17,950)	(17,398)	(18,268)	(18,707)	(10,779)
Administrative expenses	(289)	(334)	(482)	(297)	(203)	(232)	(243)
Other changes	28	486	-	(1)	(11)	(719)	719
Net change in plan fiduciary net position	10,324	(1,284)	38,804	2,288	6,829	5,253	18,772
Plan fiduciary net position, beginning	193,902	195,186	156,382	154,094	147,265	142,012	123,240
Plan fiduciary net position, ending (b)	<u>\$ 204,226</u>	<u>\$ 193,902</u>	<u>\$ 195,186</u>	<u>\$ 156,382</u>	<u>\$ 154,094</u>	<u>\$ 147,265</u>	<u>\$ 142,012</u>
Net HIC OPEB liability, ending (a) - (b)	<u>\$ 137,646</u>	<u>\$ 131,288</u>	<u>\$ 117,738</u>	<u>\$ 157,035</u>	<u>\$ 158,427</u>	<u>\$ 131,099</u>	<u>\$ 131,420</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	59.74%	59.63%	62.37%	49.90%	49.31%	52.90%	51.94%
Covered payroll	\$ 7,053,630	\$ 6,973,784	\$ 6,608,649	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 5,591,072
Net HIC OPEB liability as a percentage of covered payroll	1.95%	1.88%	1.78%	2.33%	2.48%	2.11%	2.35%

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
SCHEDULE OF EMPLOYER CONTRIBUTIONS										
Contractually required contribution	\$ 19,045	\$ 19,045	\$ 17,402	\$ 17,843	\$ 18,196	\$ 17,251	\$ 16,135	\$ 14,537	\$ 15,379	\$ 15,138
Contribution in relation to contractually required contribution	19,045	19,045	17,402	16,885	16,884	16,003	14,894	14,537	15,119	15,111
Contribution (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 958</u>	<u>\$ 1,312</u>	<u>\$ 1,248</u>	<u>\$ 1,241</u>	<u>\$ -</u>	<u>\$ 260</u>	<u>\$ 27</u>
Covered payroll	\$ 7,661,380	\$ 7,053,630	\$ 6,973,784	\$ 6,608,649	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 5,591,072	\$ 5,303,225	\$ 5,220,099
Contributions as a percentage of covered payroll	0.25%	0.27%	0.25%	0.26%	0.25%	0.25%	0.24%	0.26%	0.29%	0.29%

Notes to Schedule:

Schedule is intended to show information for 10 years. June 30, 2018, was the first year for the proportion schedule. Information prior to June 30, 2018, is not available; however, additional years will be included as they become available.

City of Poquoson, Virginia

Exhibit T

Schedules of Changes in Net Health Insurance Credit Program OPEB Liability and Related Ratios and Employer Contributions
Schools

	Plan Year						
	2023	2022	2021	2020	2019	2018	2017
TOTAL HIC OPEB LIABILITY							
Service cost	\$ 507	\$ 964	\$ 1,253	\$ 1,284	\$ 1,003	\$ 1,020	\$ 1,095
Interest	4,596	4,334	4,606	4,464	4,713	4,729	4,758
Changes in benefit terms	-	-	-	282	-	-	-
Changes of assumptions	-	6,495	1,630	-	1,325	-	11
Difference between expected and actual experience	(138)	(814)	(5,524)	2,722	(1,603)	643	-
Benefit payments, including refunds of member contributions	(5,947)	(7,316)	(6,604)	(6,706)	(6,550)	(6,687)	(5,874)
Net change in total HIC OPEB liability	(982)	3,663	(4,639)	2,046	(1,112)	(295)	(10)
Total HIC OPEB liability, beginning	70,560	66,897	71,536	69,490	70,602	70,897	70,907
Total HIC OPEB liability, ending (a)	<u>\$ 69,578</u>	<u>\$ 70,560</u>	<u>\$ 66,897</u>	<u>\$ 71,536</u>	<u>\$ 69,490</u>	<u>\$ 70,602</u>	<u>\$ 70,897</u>
PLAN FIDUCIARY NET POSITION							
Contributions - employer	\$ 7,326	\$ 5,478	\$ 5,422	\$ 4,992	\$ 4,681	\$ 4,269	\$ 4,476
Contributions - employee	-	-	-	-	-	-	-
Net investment income	512	26	1,943	180	621	822	1,372
Benefit payments, including refunds of member contributions	(5,947)	(7,316)	(6,604)	(6,706)	(6,550)	(6,687)	(5,874)
Administrative expenses	(9)	(13)	(21)	(15)	(12)	(16)	(20)
Other changes	132	2,470	-	-	(1)	(76)	76
Net change in plan fiduciary net position	2,014	645	740	(1,549)	(1,261)	(1,688)	30
Plan fiduciary net position, beginning	9,775	9,130	8,390	9,939	11,200	12,888	12,858
Plan fiduciary net position, ending (b)	<u>\$ 11,789</u>	<u>\$ 9,775</u>	<u>\$ 9,130</u>	<u>\$ 8,390</u>	<u>\$ 9,939</u>	<u>\$ 11,200</u>	<u>\$ 12,888</u>
Net HIC OPEB liability, ending (a) - (b)	<u>\$ 57,789</u>	<u>\$ 60,785</u>	<u>\$ 57,767</u>	<u>\$ 63,146</u>	<u>\$ 59,551</u>	<u>\$ 59,402</u>	<u>\$ 58,009</u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	16.94%	13.85%	13.65%	11.73%	14.30%	15.86%	18.18%
Covered payroll	\$ 626,113	\$ 521,656	\$ 516,364	\$ 573,771	\$ 538,066	\$ 526,973	\$ 552,624
Net HIC OPEB liability as a percentage of covered payroll	9.23%	11.65%	11.19%	11.01%	11.07%	11.27%	10.50%

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
SCHEDULE OF EMPLOYER CONTRIBUTIONS										
Contractually required contribution	\$ 7,326	\$ 7,326	\$ 5,477	\$ 5,422	\$ 4,992	\$ 4,681	\$ 4,284	\$ 6,134	\$ 4,440	\$ 5,156
Contribution in relation to contractually required contribution	7,326	7,326	5,477	5,422	4,992	4,681	4,269	4,476	4,440	4,510
Contribution (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 1,658</u>	<u>\$ -</u>	<u>\$ 646</u>
Covered payroll	\$ 675,877	\$ 626,113	\$ 521,656	\$ 516,364	\$ 573,771	\$ 538,066	\$ 526,973	\$ 552,624	\$ 528,531	\$ 613,843
Contributions as a percentage of covered payroll	1.08%	1.17%	1.05%	1.05%	0.87%	0.87%	0.81%	0.81%	0.84%	0.73%

Notes to Schedule:

Schedule is intended to show information for 10 years. June 30, 2018, was the first year for the proportion schedule. Information prior to June 30, 2018, is not available; however, additional years will be included as they become available.

See Independent Auditor's Report and Notes to Required Supplementary Information.

Schedules of Changes in Net Retiree Health Insurance OPEB Liability and Related Ratios and Employer Contributions
City

	2024	2023	2022	2021	2020	2019	2018
TOTAL OPEB LIABILITY							
Service cost	\$ 95,820	\$ 92,446	\$ 89,285	\$ 98,205	\$ 70,219	\$ 67,825	\$ 77,260
Interest	90,384	87,119	47,956	54,480	76,258	74,639	56,357
Change in benefit terms	-	-	-	-	-	-	695,727
Change of assumptions	(14,378)	(23,939)	(400,310)	69,040	222,372	-	626,795
Difference between expected and actual experience	43,405	(28,834)	301,801	8,469	92,560	11,543	(280,164)
Benefit payments, including refunds of member contributions	(164,797)	(64,941)	(71,018)	(126,272)	(152,593)	(100,431)	(47,037)
Net change in total OPEB liability	50,434	61,851	(32,286)	103,922	308,816	53,576	1,128,938
Total OPEB liability, beginning	2,462,860	2,401,009	2,433,295	2,329,373	2,020,557	1,966,981	838,043
Total OPEB liability, ending (a)	<u>\$ 2,513,294</u>	<u>\$ 2,462,860</u>	<u>\$ 2,401,009</u>	<u>\$ 2,433,295</u>	<u>\$ 2,329,373</u>	<u>\$ 2,020,557</u>	<u>\$ 1,966,981</u>
PLAN FIDUCIARY NET OPEB							
Contributions - employer	\$ 80,556	\$ 100,000	\$ 104,388	\$ 88,142	\$ 101,068	\$ 167,239	\$ 106,774
Contributions - employee	84,716	87,389	93,491	112,994	93,755	83,763	70,306
Net investment income (loss)	19,143	11,189	(27,017)	32,318	10,214	547	238
Benefit payments	(157,254)	(152,329)	(164,509)	(186,136)	(179,823)	(148,629)	(92,170)
Net change in plan fiduciary net position	27,161	46,249	6,353	47,318	25,214	102,920	85,148
Plan fiduciary net position, beginning	313,202	266,953	260,600	213,282	188,068	85,148	-
Plan fiduciary net position, ending (b)	<u>\$ 340,363</u>	<u>\$ 313,202</u>	<u>\$ 266,953</u>	<u>\$ 260,600</u>	<u>\$ 213,282</u>	<u>\$ 188,068</u>	<u>\$ 85,148</u>
Net OPEB liability, ending (a) - (b)	<u>\$ 2,172,931</u>	<u>\$ 2,149,658</u>	<u>\$ 2,134,056</u>	<u>\$ 2,172,695</u>	<u>\$ 2,116,091</u>	<u>\$ 1,832,489</u>	<u>\$ 1,881,833</u>
Plan fiduciary net position as a percentage of the total pension liability	13.54%	12.72%	11.12%	10.71%	9.16%	9.31%	4.33%
Covered-employee payroll	\$ 9,821,367	\$ 8,460,425	\$ 8,254,073	\$ 8,216,810	\$ 7,743,990	\$ 7,562,087	\$ 7,020,980
Net pension liability as a percentage of covered payroll	22.1%	25.4%	25.9%	26.44%	27.33%	24.23%	26.80%
	2024	2023	2022	2021	2020	2019	2018
SCHEDULE OF EMPLOYER CONTRIBUTIONS							
Contractually required contribution	\$ 80,556	\$ 100,000	\$ 104,388	\$ 88,142	\$ 101,068	\$ 167,239	\$ 106,774
Contribution in relation to contractually required contribution	80,556	100,000	104,388	88,142	101,068	167,239	106,774
Contribution (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 9,821,367	\$ 8,460,425	\$ 8,254,073	\$ 8,216,810	\$ 7,743,990	\$ 7,562,087	\$ 7,020,980
Contributions as a percentage of covered payroll	0.82%	1.18%	1.26%	1.07%	1.31%	2.21%	1.52%

Note to Schedule:

Schedule is intended to show information for 10 years. June 30, 2018, was the first year for this presentation. Information prior to June 30, 2018, is not available; however, additional years will be included as they become available.

Schedules of Changes in Total Retiree Health Insurance OPEB Liability and Related Ratios and Employer Contributions - Schools

	2024	2023	2022	2021	2020	2019	2018
TOTAL OPEB LIABILITY							
Service cost	\$ 10,556	\$ 10,188	\$ 15,793	\$ 15,247	\$ 12,225	\$ 11,808	\$ 15,200
Interest	4,750	7,070	4,482	4,960	7,794	7,657	10,003
Change of assumptions	1,218	(1,415)	(30,664)	4,586	887	-	134,473
Difference between expected and actual experience	209,723	-	40,275	70	4,477	126,552	(58,566)
Benefit payments, including refunds of member contributions	(152,834)	(18,752)	(48,655)	(15,114)	(20,598)	(143,973)	(180,365)
Net change in total OPEB liability (asset)	73,413	(2,909)	(18,769)	9,749	4,785	2,044	(79,255)
Total OPEB liability, beginning	195,993	198,902	217,671	207,922	203,137	201,093	280,348
Total OPEB liability, ending (a)	<u>\$ 269,406</u>	<u>\$ 195,993</u>	<u>\$ 198,902</u>	<u>\$ 217,671</u>	<u>\$ 207,922</u>	<u>\$ 203,137</u>	<u>\$ 201,093</u>
Covered-employee payroll	\$ 14,640,933	\$ 13,227,075	\$ 12,904,463	\$ 12,596,313	\$ 12,696,749	\$ 12,294,917	\$ 12,005,045
Net pension liability as a percentage of covered-employee payroll	1.84%	1.48%	1.54%	1.73%	1.64%	1.65%	1.68%

*No assets have been accumulated in a trust to pay related benefits for this OPEB plan.

	2024	2023	2022	2021	2020	2019	2018
SCHEDULE OF EMPLOYER CONTRIBUTIONS							
Contractually required contribution	\$ 152,834	\$ 18,752	\$ 48,655	\$ 15,114	\$ 20,598	\$ 143,973	\$ 180,365
Covered payroll	14,640,933	13,227,075	12,904,463	12,596,313	12,696,749	12,294,917	12,005,045
Contributions as a percentage of covered payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note to Schedule:

Schedule is intended to show information for 10 years. June 30, 2018, was the first year for this presentation. Information prior to June 30, 2018, is not available; however, additional years will be included as they become available.

City of Poquoson, Virginia
Notes to Required Supplementary Information
June 30, 2024

1. Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Between the 1st and 30th of April, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is formulated from estimates of revenues and expected expenditures from each department. The School Board is treated as a single expenditure line item.
- When the City Manager submits the proposed budget to City Council, he also recommends an appropriation ordinance and an ordinance levying the tax rates for the ensuing year.
- City Council then holds public hearings on the proposed budget. Notice of such a public hearing must appear in a local newspaper not less than ten days prior to the hearing.
- The budget must be approved by a majority vote of City Council and legally adopted within 40 days of submission to City Council, but no later than May 31. If City Council does not adopt the proposed budget before May 31, the budget as submitted is automatically adopted.
- The City Manager is authorized to transfer budgeted amounts within funds. Expenditures over the original budget of any fund must be approved by City Council.

Budgets for proprietary fund types are prepared on the accrual basis of accounting but are not legally adopted. The General Fund and Grants Fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for the recognition of encumbrances as expenditures. Budgets for Capital Projects and Debt Service funds are not legally adopted budgets.

Therefore, the "actual" data included in statements comparing expenditures with budgets differs from the expenditures reported in accordance with generally accepted accounting principles by the amount of the reported encumbrances.

Beginning fund balances for budgetary basis presentation purposes are adjusted for the carryforward of prior year encumbrances. According to City Code, unexpended and unencumbered appropriations lapse at June 30 of each year. Appropriations that are encumbered at June 30 are carried forward into the following year's appropriations to allow for liquidation of the encumbrances.

Budgeting comparisons for the General Fund are shown as required supplementary information.

2. Changes of Pension and OPEB Benefit Terms

Pension

There have been no actuarially material changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation.

Other Postemployment Benefits (OPEB) - All Plans

There have been no actuarially material changes to the benefit provisions since the prior actuarial valuation.

City of Poquoson, Virginia
Notes to Required Supplementary Information
June 30, 2024

3. Changes of Assumptions

Pension

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Largest 10 -Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

City of Poquoson, Virginia
Notes to Required Supplementary Information
June 30, 2024

3. Changes of Assumptions (Continued)

Pension (Continued)

All Others (Non 10 Largest) - Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

Teacher cost-sharing pool

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to discount rate.

Other Postemployment Benefits (OPEB) - VRS Plans

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Largest 10 - Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

City of Poquoson, Virginia
Notes to Required Supplementary Information
June 30, 2024

3. Changes of Assumptions (Continued)

Other Postemployment Benefits (OPEB) - VRS Plans (Continued)

Largest 10 - Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

All Others (Non 10 Largest) - Non-Hazardous Duty:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to line of duty rates.
- No change to discount rate.

All Others (Non 10 Largest) - Hazardous Duty/Public Safety Employees:

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience and changed final retirement age from 65 to 70.
- Decreased withdrawal rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty.
- No change to disability rates.
- No change to salary scale.
- No change to line of duty rates.
- No change to discount rate.

City of Poquoson, Virginia
Notes to Required Supplementary Information
June 30, 2024

3. Changes of Assumptions (Continued)

Other Postemployment Benefits (OPEB) - VRS Plans (Continued)

Teacher cost-sharing pool

- Update mortality table to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
- Adjusted retirement rates to better fit experience for Plan 1; set separate rates based on experience for Plan2/Hybrid; changed final retirement age from 75 to 80 for all.
- Adjusted withdrawal rates to better fit experience at each age and service through 9 years of service.
- No change to disability rates.
- No changes to salary scale.
- No change to discount rate.

Other Postemployment Benefits (OPEB) - Local Plans

The discount rate was changed to 3.93% from 3.65% which was used in the prior valuation. Additionally, the medical trend assumptions were changed to reflect the update to model 2024_1b from model 2022_4f. Medical plan pricing was also changed to reflect most recent experience and plan design from the prior valuation.



Other Supplementary Information

City of Poquoson, Virginia

Schedule 1

Combining Balance Sheet - Component Unit - Poquoson City Public Schools

June 30, 2024

	General	Food Service	School Activity Funds	Total Schools
	SCHOOL BOARD TBD.FY[7]	SCHOOL BOARD TBD.FY[7]	SCHOOL BOARD TBD.FY[3]	
ASSETS				
Cash and cash equivalents	\$ 3,809,987	\$ -	\$ 343,703	\$ 4,153,690
Restricted cash and cash equivalents	-	563,188	-	563,188
Due from other governmental units	741,836	-	-	741,836
Other receivables	-	136,855	-	136,855
Inventory	-	22,262	-	22,262
Prepaid items	90,000	-	-	90,000
Total assets	<u>\$ 4,641,823</u>	<u>\$ 722,305</u>	<u>\$ 343,703</u>	<u>\$ 5,707,831</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,141,224	\$ 84,867	\$ -	\$ 3,226,091
Due to primary government	746,650	-	-	746,650
Total liabilities	<u>3,887,874</u>	<u>84,867</u>	<u>-</u>	<u>3,972,741</u>
FUND BALANCES				
Nonspendable	90,000	22,262	-	112,262
Restricted	65,671	615,176	343,703	1,024,550
Assigned, education	598,278	-	-	598,278
Total fund balances	<u>753,949</u>	<u>637,438</u>	<u>343,703</u>	<u>1,735,090</u>
Total liabilities and fund balances	<u>\$ 4,641,823</u>	<u>\$ 722,305</u>	<u>\$ 343,703</u>	<u>\$ 5,707,831</u>

City of Poquoson, Virginia

Schedule 1

Combining Balance Sheet - Component Unit - Poquoson City Public Schools

June 30, 2024

Reconciliation of Combining Balance Sheet to Statement of Net Position - Component Unit - Poquoson City Public Schools

Total fund balances - Component Unit - Schools	\$ 1,735,090
Amount reported for component unit activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.	12,546,301
Net pension asset is not a financial resource and, therefore, is not reported in the funds.	9,234
Deferred outflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds.	
Deferred outflows of pension	3,877,264
Deferred outflows of OPEB	610,190
Accrued interest is not paid from current period revenues and, therefore, is not reported in the funds.	(994)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(15,903,512)
Deferred inflows of resources for OPEB and pension are not financial resources and, therefore, are not reported in the funds.	
Deferred inflows of pension	(2,450,645)
Deferred inflows of OPEB	(408,807)
Total net position - Component Unit - Schools	<u>\$ 14,121</u>

City of Poquoson, Virginia

Schedule 2

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Component Unit - Poquoson City Public Schools

Year Ended June 30, 2024

	General	Food Service	School Activity Funds	Total Schools
REVENUES				
Charges for services	\$ -	\$ 1,375,249	\$ 650,115	\$ 2,025,364
Intergovernmental:				
Commonwealth of Virginia	16,442,786	-	-	16,442,786
Federal government	1,645,809	-	-	1,645,809
Local government	10,322,898	-	-	10,322,898
Other	371,128	-	-	371,128
Total revenues	28,782,621	1,375,249	650,115	30,807,985
EXPENDITURES				
Current				
Education	28,943,520	1,380,186	632,475	30,956,181
Capital outlay	124,212	-	-	124,212
Debt service, principal	34,365	-	-	34,365
Debt service, interest	8,425	-	-	8,425
Total expenditures	29,110,522	1,380,186	632,475	31,123,183
Excess (deficiency) of revenues over (under) expenditures	(327,901)	(4,937)	17,640	(315,198)
OTHER FINANCING SOURCES				
Lease financing	124,212	-	-	124,212
Net change in fund balance	(203,689)	(4,937)	17,640	(190,986)
FUND BALANCE				
Beginning of year	957,638	642,375	326,063	1,926,076
End of year	\$ 753,949	\$ 637,438	\$ 343,703	\$ 1,735,090

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Component Unit - Poquoson City Public Schools
 Year Ended June 30, 2024

Reconciliation of Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Component Unit - Poquoson City Public Schools

Net change in fund balances - total School Board funds	\$	(190,986)
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Amount reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation.

Capital outlay	2,357,087
Depreciation and amortization expense	(1,997,919)
Net book value of disposals	(40,313)

The City has a "tenancy in common" with the Schools whenever the City incurs "on behalf" of debt for any school property owned by the Schools, which is payable over more than one year. This amount is the applicable net book value change for the fiscal year.	998,307
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Lease financing	(124,212)
Repayment of long-term debt	34,365

Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities consist of the changes in:

Accrued interest	301
Pension liabilities and related deferred inflows and outflows of resources	1,584,202
Other postemployment benefits liabilities and related deferred inflows and outflows of resources	231,224
Compensated absences	(6,345)

Change in net position of governmental activities	<u>\$</u>	<u><u>2,845,711</u></u>
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City of Poquoson, Virginia

Schedule 3

Budgetary Comparison Schedule - General Fund - Component Unit Poquoson City Public Schools Year Ended June 30, 2024

	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Intergovernmental:				
Commonwealth of Virginia	\$ 15,783,837	\$ 16,663,956	\$ 16,442,786	\$ (221,170)
Federal government	960,527	2,163,523	1,645,809	(517,714)
Local government	11,774,668	13,066,363	10,322,898	(2,743,465)
Other	122,125	312,830	371,128	58,298
Total revenues	28,641,157	32,206,672	28,782,621	(3,424,051)
EXPENDITURES				
Current:				
Instruction	21,068,445	21,369,153	18,519,188	2,849,965
District-wide	1,347,651	1,481,931	2,060,722	(578,791)
Transportation	1,138,839	1,040,746	1,037,168	3,578
Operation and maintenance	2,550,910	3,460,245	3,176,604	283,641
Food service	276,487	591,191	46,361	544,830
Technology	1,483,296	1,610,540	1,442,305	168,235
Grants	775,529	2,652,866	2,526,155	126,711
Capital outlay	-	-	124,212	(124,212)
Debt service, principal	-	-	34,365	(34,365)
Debt service, interest	-	-	8,425	(8,425)
Total expenditures	28,641,157	32,206,672	28,975,505	3,231,167
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	\$ (192,884)	<u>\$ (6,655,218)</u>
OTHER FINANCING SOURCES				
Lease financing			124,212	
Less encumbrances outstanding beginning of year				
actually expended as of end of year			(725,424)	
Add encumbrances outstanding end of year			590,407	
Excess of revenues over expenditures - U.S. GAAP basis			(203,689)	
FUND BALANCES				
Beginning of year			957,638	
End of year			<u>\$ 753,949</u>	

City of Poquoson, Virginia

Schedule 4

Statement of Cash Flows - Component Unit - Economic Development Authority

Year Ended June 30, 2024

OPERATING ACTIVITIES

Payments to suppliers for goods and services	\$ (18,476)
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NONCAPITAL FINANCING ACTIVITIES

Contributions from Primary Government	21,000
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INVESTING ACTIVITIES

Interest paid on capital debt	<u>(15,414)</u>
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Net decrease in cash and cash equivalents	(12,890)
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CASH AND CASH EQUIVALENTS

Beginning of year	<u>36,999</u>
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End of year	<u><u>\$ 24,109</u></u>
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RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

Operating loss	\$ (32,807)
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Depreciation	<u>14,331</u>
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Net cash used in operating activities	<u><u>\$ (18,476)</u></u>
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Statistical Section

(Unaudited)

This part of the report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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Financial Trends

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Operating Information

These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relate to the services the City provides and the activities it performs..... 13 – 15

Sources: Unless otherwise noted, the information in these tables is derived from the annual comprehensive financial reports for the relevant year.

City of Poquoson, Virginia
Net Position by Component - Last Ten Fiscal Years

Table 1

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 24,154,200	\$ 20,195,716	\$ 19,335,724	\$ 21,089,440	\$ 18,133,197	\$ 2,081,923	\$ 18,989,419	\$ 17,903,251	\$ 16,369,767	\$ 15,992,201
Restricted	5,022,944	4,540,672	2,118,295	1,310,631	2,489,143	20,119,972	1,873,326	1,997,619	2,502,661	1,229,189
Unrestricted	17,075,776	10,438,810	9,795,571	4,474,393	3,153,096	2,254,527	944,323	2,027,326	1,902,805	1,404,823
Total governmental activities	<u><u>\$ 46,252,920</u></u>	<u><u>\$ 35,175,198</u></u>	<u><u>\$ 31,249,590</u></u>	<u><u>\$ 26,874,464</u></u>	<u><u>\$ 23,775,436</u></u>	<u><u>\$ 24,456,422</u></u>	<u><u>\$ 21,807,068</u></u>	<u><u>\$ 21,928,196</u></u>	<u><u>\$ 20,775,233</u></u>	<u><u>\$ 18,626,213</u></u>
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 5,687,288	\$ 5,464,333	\$ 5,342,928	\$ 5,370,778	\$ 5,454,081	\$ 5,201,957	\$ 4,865,391	\$ 4,611,977	\$ 4,754,036	\$ 4,791,909
Restricted	-	-	34,070	-	-	-	-	-	-	-
Unrestricted	6,328,460	5,493,189	3,879,187	3,446,094	3,258,942	3,134,382	2,863,875	2,565,946	1,869,516	1,408,633
Total business-type activities	<u><u>\$ 12,015,748</u></u>	<u><u>\$ 10,957,522</u></u>	<u><u>\$ 9,256,185</u></u>	<u><u>\$ 8,816,872</u></u>	<u><u>\$ 8,713,023</u></u>	<u><u>\$ 8,336,339</u></u>	<u><u>\$ 7,729,266</u></u>	<u><u>\$ 7,177,923</u></u>	<u><u>\$ 6,623,552</u></u>	<u><u>\$ 6,200,542</u></u>
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 29,841,488	\$ 25,660,049	\$ 24,678,652	\$ 26,460,218	\$ 23,587,278	\$ 7,283,880	\$ 23,854,810	\$ 22,515,228	\$ 21,123,803	\$ 20,784,110
Restricted - capital projects	4,578,233	4,137,071	-	-	1,422,500	18,973,986	1,080,002	1,644,469	1,995,804	942,712
Restricted - other	444,711	403,601	2,152,365	1,310,631	1,066,643	1,145,986	793,324	353,150	506,857	286,477
Unrestricted	23,404,236	15,931,999	13,674,758	7,920,487	6,412,038	5,388,909	3,808,198	4,593,272	3,772,321	2,813,456
Total primary government	<u><u>\$ 58,268,668</u></u>	<u><u>\$ 46,132,720</u></u>	<u><u>\$ 40,505,775</u></u>	<u><u>\$ 35,691,336</u></u>	<u><u>\$ 32,488,459</u></u>	<u><u>\$ 32,792,761</u></u>	<u><u>\$ 29,536,334</u></u>	<u><u>\$ 29,106,119</u></u>	<u><u>\$ 27,398,785</u></u>	<u><u>\$ 24,826,755</u></u>

See Independent Auditor's Report.

City of Poquoson, Virginia
Changes in Net Position - Last Ten Fiscal Years

Table 2

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
OPERATING EXPENSES										
Governmental activities:										
General government	\$ 3,020,353	\$ 7,676,967	\$ 3,106,109	\$ 12,215,070	\$ 4,959,427	\$ 3,305,464	\$ 4,152,443	\$ 3,772,798	\$ 3,670,330	\$ 2,655,051
Public safety and judicial	10,510,426	9,848,237	8,604,872	8,591,167	7,740,807	7,119,909	7,136,755	6,811,120	6,367,432	6,572,994
Public works	3,586,783	3,752,924	3,092,069	2,151,030	1,821,762	2,081,748	2,108,673	1,454,996	672,523	1,722,753
Health and welfare	1,377,580	1,128,095	986,273	1,070,059	1,165,110	1,190,360	1,303,164	1,228,244	1,125,090	1,036,794
Education	12,196,202	9,513,223	11,101,660	3,010,568	12,899,682	10,534,422	10,249,813	10,089,105	10,434,221	10,126,907
Parks and recreation	2,083,652	2,161,907	1,336,154	1,608,001	1,778,533	1,762,160	1,647,715	2,113,548	1,923,884	1,738,752
Economic Development Authority	70,064	145,786	21,000	145,141	17,053	16,417	5,000	-	25,000	-
Community development	689,873	659,427	557,876	597,883	765,613	1,095,080	2,046,826	1,611,496	667,793	560,195
Interest on long-term debt	1,148,112	1,247,108	1,027,962	1,263,545	1,228,907	1,922,059	1,081,173	638,246	1,040,364	1,046,103
Total governmental activities	34,683,045	36,133,674	29,833,975	30,652,464	32,376,894	29,027,619	29,731,562	27,719,553	25,926,637	25,459,549
Business-type activities:										
Sewer	1,416,415	1,421,371	1,279,528	1,654,348	1,457,329	1,462,941	1,439,188	1,488,407	1,485,293	1,520,881
Solid waste	1,201,044	1,190,698	1,130,131	1,103,778	1,041,994	816,100	756,231	806,210	793,688	746,243
Total business-type activities	2,617,459	2,612,069	2,409,659	2,758,126	2,499,323	2,279,041	2,195,419	2,294,617	2,278,981	2,267,124
Total expenses	37,300,504	38,745,743	32,243,634	33,410,590	34,876,217	31,306,660	31,926,981	30,014,170	28,205,618	27,726,673
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	822,143	752,070	752,271	589,108	258,432	256,084	179,790	1,269,889	343,486	236,877
Public safety and judicial	413,926	417,191	359,727	325,566	427,125	494,512	475,122	458,937	435,190	477,642
Education	-	-	-	-	-	-	-	3,655	47,520	43,914
Parks and recreation	86,714	82,321	65,835	37,028	52,895	80,480	77,252	85,445	89,096	80,871
Community development	412,849	419,247	216,953	145,608	240,495	328,058	347,472	317,701	330,949	324,945
Operating grants and contributions	2,220,482	1,924,542	1,703,649	3,644,428	2,284,340	1,707,679	1,752,658	1,640,741	1,633,650	1,566,976
Capital grants and contributions	5,873,466	4,253,637	874,441	878,892	928,323	1,558,876	2,059,956	645,565	837,446	507,190
Total governmental activities	9,829,580	7,849,008	3,972,876	5,620,630	4,191,610	4,425,689	4,892,250	4,421,933	3,717,337	3,238,415
Business-type activities:										
Sewer	1,691,088	1,799,475	1,852,819	1,890,642	1,901,917	2,145,486	2,095,278	2,188,672	2,015,026	1,865,981
Solid waste	1,368,712	1,213,526	1,197,768	1,203,857	1,141,314	886,514	846,418	819,845	801,841	796,892
Total business-type activities	3,059,800	3,013,001	3,050,587	3,094,499	3,043,231	3,032,000	2,941,696	3,008,517	2,816,867	2,662,873
Total program revenues	12,889,380	10,862,009	7,023,463	8,715,129	7,234,841	7,457,689	7,833,946	7,430,450	6,534,204	5,901,288
Total governmental activities	(24,853,465)	(28,284,666)	(25,861,099)	(25,031,834)	(28,185,284)	(24,601,930)	(24,839,312)	(23,297,620)	(22,209,300)	(22,221,134)
Total business-type activities	442,341	400,932	640,928	336,373	543,908	752,959	746,277	713,900	537,886	395,749
Total primary government	(24,411,124)	(27,883,734)	(25,220,171)	(24,695,461)	(27,641,376)	(23,848,971)	(24,093,035)	(22,583,720)	(21,671,414)	(21,825,385)

City of Poquoson, Virginia
Changes in Net Position - Last Ten Fiscal Years

Table 2

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
GENERAL REVENUES AND OTHER										
CHANGES IN NET POSITION										
Governmental activities:										
Taxes:										
Property taxes	\$ 28,712,844	\$ 26,526,866	\$ 25,983,555	\$ 23,965,689	\$ 23,549,034	\$ 23,062,109	\$ 21,616,868	\$ 20,821,895	\$ 20,570,278	\$ 20,368,202
Other	4,093,477	3,731,837	3,611,206	3,408,037	2,903,939	2,868,532	2,964,540	2,957,310	2,838,120	2,906,288
Reimbursements from other agencies	206,753	211,413	173,571	186,967	123,570	152,346	139,561	137,731	158,675	128,897
Payments in lieu of taxes:										
Investment earnings	2,130,466	1,352,648	87,811	206,247	322,261	362,288	283,557	251,622	221,823	200,759
Miscellaneous	437,647	87,510	130,082	128,922	405,494	607,862	548,204	86,193	419,424	165,351
Transfers	350,000	300,000	250,000	235,000	200,000	198,147	200,000	195,833	150,000	150,000
Total governmental activities	35,931,187	32,210,274	30,236,225	28,130,862	27,504,298	27,251,284	25,752,730	24,450,584	24,358,320	23,919,497
Business-type activities:										
Investment earnings	53,885	49,760	48,279	2,476	32,776	47,686	35,208	35,973	34,964	33,357
Miscellaneous	912,000	1,550,645	106	-	-	4,575	9,280	331	160	4,357
Transfers	(350,000)	(300,000)	(250,000)	(235,000)	(200,000)	(198,147)	(200,000)	(195,833)	(150,000)	(150,000)
Total business-type activities	615,885	1,300,405	(201,615)	(232,524)	(167,224)	(145,886)	(155,512)	(159,529)	(114,876)	(112,286)
CHANGE IN NET POSITION										
Governmental activities	11,077,722	3,925,608	4,375,126	3,099,028	(680,986)	2,649,354	913,418	1,152,964	2,149,020	1,698,363
Business-type activities	1,058,226	1,701,337	439,313	103,849	376,684	607,073	590,765	554,371	423,010	283,463
Total primary government	<u>\$ 12,135,948</u>	<u>\$ 5,626,945</u>	<u>\$ 4,814,439</u>	<u>\$ 3,202,877</u>	<u>\$ (304,302)</u>	<u>\$ 3,256,427</u>	<u>\$ 1,504,183</u>	<u>\$ 1,707,335</u>	<u>\$ 2,572,030</u>	<u>\$ 1,981,826</u>

City of Poquoson, Virginia

Table 3

Fund Balances - Governmental Funds - Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
GENERAL FUND										
Nonspendable	\$ 1,293,591	\$ 1,293,591	\$ 1,647,904	\$ 1,647,904	\$ 1,647,904	\$ 1,707,130	\$ 1,828,040	\$ 1,847,268	\$ 1,861,498	\$ 1,880,726
Restricted	444,711	403,601	1,083,807	1,310,631	244,643	458,613	193,324	353,150	348,557	286,477
Committed	3,825,569	2,269,078	1,000,000	1,000,000	822,000	687,373	600,000	600,000	600,000	600,000
Assigned	862,211	872,028	387,078	459,114	207,690	272,967	367,729	314,114	229,475	255,862
Unassigned	12,385,530	10,314,262	8,637,298	7,446,695	6,279,043	5,389,522	5,343,537	4,358,819	4,388,700	4,851,141
Total general fund	18,811,612	15,152,560	12,756,087	11,864,344	9,201,280	8,515,605	8,332,630	7,473,351	7,428,230	7,874,206
ALL OTHER GOVERNMENTAL FUNDS										
Restricted	4,578,233	4,137,071	4,677,998	13,896,824	17,855,149	18,973,986	1,080,002	1,644,469	2,154,104	942,712
Assigned	3,607,312	3,089,480	2,170,743	1,344,830	1,265,171	1,391,455	666,063	769,329	706,113	822,546
Total all other governmental funds	8,185,545	7,226,551	6,848,741	15,241,654	19,120,320	20,365,441	1,746,065	2,413,798	2,860,217	1,765,258
Total fund balances	<u>\$ 26,997,157</u>	<u>\$ 22,379,111</u>	<u>\$ 19,604,828</u>	<u>\$ 27,105,998</u>	<u>\$ 28,321,600</u>	<u>\$ 28,881,046</u>	<u>\$ 10,078,695</u>	<u>\$ 9,887,149</u>	<u>\$ 10,288,447</u>	<u>\$ 9,639,464</u>

City of Poquoson, Virginia

Table 4

Changes in Fund Balances - Governmental Funds - Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
OPERATING REVENUES										
General property taxes	\$ 26,684,001	\$ 24,596,839	\$ 23,792,933	\$ 22,006,911	\$ 21,594,010	\$ 20,971,058	\$ 19,764,234	\$ 18,939,996	\$ 18,605,963	\$ 18,425,590
Other local taxes	4,093,477	3,731,837	3,611,206	3,408,037	2,903,939	2,868,532	2,964,540	2,957,310	2,838,120	2,906,288
Permits, privilege fees and regulatory license:	330,050	305,178	404,747	305,493	106,467	115,212	119,995	157,800	150,186	168,314
Fines and forfeitures	49,936	47,593	28,173	34,142	30,661	30,474	42,695	34,665	41,742	44,898
Revenue from use of money and property	2,130,466	1,352,648	87,811	206,247	322,261	362,288	283,557	251,622	221,823	200,759
Charges for services	906,542	915,931	641,965	508,202	600,840	776,328	758,409	689,823	719,627	730,274
Intergovernmental	10,593,169	8,643,889	4,984,105	6,883,187	5,500,643	5,579,452	6,034,143	5,600,807	4,887,888	4,347,257
Miscellaneous	516,549	158,771	140,951	130,836	388,159	555,455	523,784	77,683	406,388	187,840
Total revenues	45,304,190	39,752,686	33,691,891	33,483,055	31,446,980	31,258,799	30,491,357	28,709,706	27,871,737	27,011,220
OPERATING EXPENSES										
Current:										
General government administration	2,916,682	3,075,199	2,776,688	2,924,942	2,427,124	2,422,070	2,367,377	2,197,779	2,307,455	2,142,936
Public safety and judicial	10,489,225	9,956,871	8,309,915	8,262,148	7,591,455	7,540,536	7,082,765	6,748,735	6,510,844	6,543,540
Public works	2,336,345	2,183,441	2,112,453	1,911,845	1,883,868	2,023,809	1,800,787	1,904,962	1,806,905	1,846,179
Health and welfare	1,383,433	1,131,534	992,570	1,055,408	1,160,520	1,215,397	1,308,293	1,226,563	1,127,881	1,038,823
Parks, recreation and cultural	2,183,493	2,077,048	1,686,054	1,519,339	1,650,414	1,705,296	1,673,714	1,617,467	1,605,290	1,616,495
Community development	709,925	675,155	583,908	566,822	764,987	1,127,264	2,088,168	1,616,597	686,316	588,060
Nondepartmental	297,743	335,409	258,820	677,819	205,324	145,036	119,940	138,342	114,470	113,192
Education	10,940,506	11,842,605	9,879,994	9,304,423	10,077,056	9,851,389	9,853,778	9,738,170	9,566,168	9,422,763
Economic Development Authority	70,064	145,786	21,000	145,141	17,053	16,417	5,000	-	25,000	-
Capital outlay	7,831,463	6,097,964	11,207,921	8,449,930	2,511,266	1,191,561	1,360,988	1,468,075	1,202,670	822,462
Debt service:										
Principal retirement	2,658,883	2,416,000	2,314,547	2,129,691	2,443,009	2,262,180	2,000,899	1,969,645	2,078,058	1,464,000
Bond issuance costs	84,964	133,594	-	264,986	-	567,951	-	-	298,907	-
Interest and fiscal charges	1,281,993	1,256,182	1,299,191	1,442,575	1,474,350	1,295,065	1,005,102	842,370	1,128,233	1,163,062
Total expenditures	43,184,719	41,326,788	41,443,061	38,655,069	32,206,426	31,363,971	30,666,811	29,468,705	28,458,197	26,761,512
Excess (deficiency) of revenues over expenditures	2,119,471	(1,574,102)	(7,751,170)	(5,172,014)	(759,446)	(105,172)	(175,454)	(758,999)	(586,460)	249,708
OTHER FINANCING SOURCES (USES)										
Transfers in	5,534,850	4,323,000	7,230,167	4,704,223	4,258,588	4,141,866	3,142,671	3,216,988	3,988,485	3,795,075
Issuance of debt, net	2,000,000	4,000,000	-	3,723,412	-	18,714,856	167,000	127,224	1,085,443	292,057
Subscription financing	148,575	48,385	-	-	-	-	-	-	-	-
Transfers out	(5,184,850)	(4,023,000)	(6,980,167)	(4,471,223)	(4,058,588)	(3,949,199)	(2,942,671)	(3,021,155)	(3,838,485)	(3,645,075)
Total other financing sources	2,498,575	4,348,385	250,000	3,956,412	200,000	18,907,523	367,000	323,057	1,235,443	442,057
Net change in fund balances	<u>\$ 4,618,046</u>	<u>\$ 2,774,283</u>	<u>\$ (7,501,170)</u>	<u>\$ (1,215,602)</u>	<u>\$ (559,446)</u>	<u>\$ 18,802,351</u>	<u>\$ 191,546</u>	<u>\$ (435,942)</u>	<u>\$ 648,983</u>	<u>\$ 691,765</u>
Debt service as a percentage of noncapital expenditures	11.16%	10.16%	11.68%	11.70%	13.18%	11.81%	10.44%	9.95%	11.62%	10.46%

See Independent Auditor's Report.

City of Poquoson, Virginia

Table 5

Assessed Value and Estimated Actual Value of Taxable Real Property - Last Ten Fiscal Years

Fiscal Year	Residential Property	Commercial/ Industrial Property	Agricultural Property	Total Taxable Assessed Value	Tax Exempt Property	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2024	\$ 1,919,326,900	\$ 127,365,600	\$ 2,018,600	\$ 2,048,711,100	\$ 116,258,200	\$1.11	\$ 2,048,711,100	100%
2023	1,692,612,100	102,319,100	2,018,600	1,796,949,800	104,048,900	1.13	1,796,949,800	100%
2022	1,678,040,300	102,023,000	2,018,600	1,782,081,900	103,575,500	1.13	1,782,081,900	100%
2021	1,561,914,700	101,399,100	2,018,600	1,655,332,400	101,789,500	1.14	1,680,154,100	99%
2020	1,552,706,200	100,417,400	2,018,600	1,665,142,200	102,206,400	1.14	1,655,332,400	101%
2019	1,495,634,600	99,817,800	2,018,600	1,597,471,000	102,206,400	1.14	1,616,917,675	99%
2018	1,481,592,900	99,130,100	2,018,600	1,582,741,600	104,112,600	1.07	1,583,888,262	100%
2017	1,422,141,000	108,653,342	2,018,000	1,532,812,342	104,188,800	1.07	1,548,341,465	99%
2016	1,416,700,300	106,316,055	2,018,000	1,525,034,355	104,751,400	1.07	1,540,287,555	99%
2015	1,419,250,800	97,448,871	2,012,700	1,518,712,371	104,076,490	1.07	1,518,712,371	100%

Source: Commissioner of the Revenue and City Assessor
Includes Public Service Corporations

City of Poquoson, Virginia

Table 6

Property Tax Levies and Collections - Last Ten Fiscal Years

Fiscal Year	Net Taxes Levied for Fiscal Year Original Levy	Subsequent Year Adjustments	Total Adjusted Net Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collected to Date	
				Amount	Percent of Original Levy		Amount	Percent of Original Levy
2024	\$ 22,833,262	\$ -	\$ 22,833,262	\$ 22,592,028	98.94%	\$ -	\$ 22,592,028	98.94%
2023	20,252,698	(15,952)	20,236,746	20,058,587	99.12%	96,136	20,154,723	99.59%
2022	20,097,322	(14,161)	20,083,161	19,843,679	98.81%	187,826	20,031,505	99.74%
2021	18,928,792	(8,662)	18,920,130	18,683,713	98.75%	205,881	18,889,594	99.84%
2020	18,845,990	(19,310)	18,826,680	18,634,394	98.98%	171,534	18,805,928	99.89%
2019	18,201,313	(11,666)	18,189,647	18,018,710	99.06%	158,312	18,177,022	99.93%
2018	16,950,876	(12,602)	16,938,274	16,857,244	99.52%	69,680	16,926,924	99.93%
2017	16,283,816	15,705	16,299,521	16,136,972	99.00%	152,673	16,289,645	99.94%
2016	16,111,062	12,802	16,123,864	15,942,338	98.87%	172,764	16,115,102	99.95%
2015	16,039,914	942	16,040,856	15,875,158	98.97%	156,752	16,031,910	99.94%

Source: City of Poquoson Treasurer's Department

City of Poquoson, Virginia

Table 7

Principal Taxpayers - Current Year and Nine Years Prior

Taxpayer	Type of Business	Fiscal Year 2024		Fiscal Year 2015	
		Assessed Valuation Real Estate	Percentage of Total Real Estate Assessment	Assessed Valuation Real Estate	Percentage of Total Real Estate Assessment
CH Realty IX-Legacy MHC - Norfolk	Mobile Home Park	\$ 16,235,000	0.79%	\$ 9,155,600	0.61%
Poquoson Apartments Owner LLC Etals*	Apartment Rentals	14,212,200	0.69%	-	-
City of Newport News	Public Service	9,201,600	0.45%	4,112,500	0.27%
Poquoson Shopping Center LLC	Shopping Center	7,520,800	0.36%	5,695,900	0.38%
Poquoson Commons Retail Investors, Inc.	Shopping Center	7,485,000	0.36%	6,415,500	0.42%
GPH Poquoson L.L.C.	Nursing Home	6,012,100	0.29%	3,641,600	-
Islander Associates	Apartment Rentals	5,252,400	0.26%	3,480,200	0.23%
SNH CHS Properties Trust	Nursing Home	5,047,300	0.25%	-	-
SGC Wythe Creek, L.L.C.	Shopping Center	4,740,700	0.23%	4,089,300	0.27%
Universal of Poquoson	Mobile Home Park	3,831,900	0.19%	3,401,200	0.22%
Whitehouse Cove, LLC	Marina/Mobile Home Park	-	-	7,570,700	0.50%
Hunt Properties of Poquoson, Inc.	Storage Facilities	-	-	2,718,000	0.18%
		\$ 79,539,000	3.87%	\$ 50,280,500	3.08%

*Formerly Poquoson Place Apartments

Source: Commissioner of the Revenue and City Assessor

City of Poquoson, Virginia
Computation of Legal Debt Margin - Last Ten Fiscal Years

Table 8

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL ASSESSED VALUE OF TAXED REAL PROPERTY										
General	\$ 2,048,711,100	\$ 1,796,949,800	\$ 1,782,081,900	\$ 1,728,246,736	\$ 1,665,332,400	\$ 1,583,909,200	\$ 1,709,224,591	\$1,619,068,342	\$1,504,974,300	\$1,500,055,080
Public service corporations	20,951,561	23,586,721	11,544,350	21,361,594	21,926,700	22,895,188	22,620,001	22,397,342	20,060,055	18,657,291
	<u>\$ 2,069,662,661</u>	<u>\$ 1,820,536,521</u>	<u>\$ 1,793,626,250</u>	<u>\$ 1,749,608,330</u>	<u>\$ 1,687,259,100</u>	<u>\$ 1,606,804,388</u>	<u>\$ 1,731,844,592</u>	<u>\$ 1,641,465,684</u>	<u>\$ 1,525,034,355</u>	<u>\$ 1,518,712,371</u>
DEBT LIMIT (10% of total assessed value)	<u>\$ 206,966,266</u>	<u>\$ 182,053,652</u>	<u>\$ 179,362,625</u>	<u>\$ 174,960,833</u>	<u>\$ 168,725,910</u>	<u>\$ 160,680,439</u>	<u>\$ 173,184,459</u>	<u>\$ 164,146,568</u>	<u>\$ 152,503,436</u>	<u>\$ 151,871,237</u>
DEBT APPLICABLE TO DEBT LIMIT										
General obligation bonds, other than those authorized for a specific revenue producing project	\$ 35,887,000	\$ 36,525,000	\$ 34,941,000	\$ 37,220,997	\$ 35,532,586	\$ 37,882,586	\$ 21,734,586	\$ 23,419,586	\$ 25,104,587	\$ 27,174,645
Financed purchase obligation	-	612	29,102	92,138	192,275	280,592	228,325	-	-	-
Subscription liability	125,343	48,385	-	-	-	-	-	-	-	-
Sewer general obligation bonds	2,661,000	3,306,000	3,942,000	4,548,000	4,935,000	5,450,002	5,940,002	6,410,000	6,855,000	7,220,000
State literary fund loans	-	-	-	-	-	-	250,000	500,000	750,000	1,000,000
	<u>38,673,343</u>	<u>39,879,997</u>	<u>38,912,102</u>	<u>41,861,135</u>	<u>40,659,861</u>	<u>43,613,180</u>	<u>28,152,913</u>	<u>30,329,586</u>	<u>32,709,587</u>	<u>35,394,645</u>
MARGIN FOR ADDITIONAL BORROWING	<u>\$ 168,292,923</u>	<u>\$ 142,173,655</u>	<u>\$ 140,450,523</u>	<u>\$ 133,099,698</u>	<u>\$ 128,066,049</u>	<u>\$ 117,067,259</u>	<u>\$ 145,031,546</u>	<u>\$ 133,816,982</u>	<u>\$ 119,793,849</u>	<u>\$ 116,476,592</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>18.69%</u>	<u>21.91%</u>	<u>21.69%</u>	<u>23.93%</u>	<u>24.10%</u>	<u>27.14%</u>	<u>16.26%</u>	<u>18.48%</u>	<u>21.45%</u>	<u>23.31%</u>

See Independent Auditor's Report.

City of Poquoson, Virginia

Table 9

Ratios of Outstanding Debt by Type - Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities	Total Primary Government	Median Household Income (1)	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Term Loans Payable	Leases	Subscriptions	Unamortized Premium	Sewer Bonds				
2024	\$ 35,887,000	\$ -	\$ -	\$ 125,343	\$ 1,808,056	\$ 2,661,000	\$ 40,481,399	N/A	N/A	N/A
2023	36,525,000	-	612	48,385	2,041,529	3,306,000	41,921,526	N/A	N/A	N/A
2022	34,941,000	-	29,102	-	2,275,002	3,942,000	41,187,104	N/A	N/A	N/A
2021	37,220,997	-	92,138	-	2,604,395	4,548,000	44,465,530	\$ 100,763	N/A	\$ 3,329
2020	35,532,586	-	192,275	-	3,413,386	4,935,000	44,073,247	100,696	N/A	3,262
2019	41,625,365	-	280,592	-	3,742,779	5,819,009	51,467,745	97,118	N/A	3,850
2018	25,292,387	250,000	228,325	-	3,557,801	6,359,159	35,687,672	96,831	N/A	2,608
2017	27,282,853	500,000	127,224	-	3,863,269	6,879,308	38,652,654	88,328	1.0%	2,826
2016	29,273,324	750,000	-	-	4,168,737	7,374,457	41,566,518	84,643	1.0%	3,044
2015	28,786,818	1,000,000	292,057	-	1,612,173	7,789,604	39,480,652	83,780	0.9%	3,064

Source: (1) United States Census Bureau

N/A - This information is not available.

**Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years**

Fiscal Year	Population (1)	Assessed Value	Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2024	12,635	\$ 2,048,711,100	\$ 35,887,000	1.75%	\$ 2,840
2023	12,582	2,048,711,100	36,525,000	1.78%	2,903
2022	12,574	1,796,949,800	34,941,000	1.94%	2,779
2021	12,466	1,782,081,900	37,220,997	2.09%	2,986
2020	12,395	1,655,332,400	35,532,586	2.15%	2,867
2019	12,320	1,665,142,200	41,625,365	2.50%	3,379
2018	12,311	1,597,471,000	25,292,387	1.58%	2,054
2017	12,287	1,582,741,600	27,282,853	1.72%	2,220
2016	12,359	1,532,812,342	29,273,324	1.91%	2,369
2015	12,212	1,525,034,355	28,786,818	1.89%	2,357

Source: (1) Weldon Cooper Center for Public Service
(2) Only debt to be repaid with general government resources is included, therefore, this table does not include Enterprise general obligation debt, which are retired through revenues of the related operations.

Note: There is no overlapping debt because cities in Virginia have jurisdiction over the entire area within their boundaries and operate independently of any municipal government.

City of Poquoson, Virginia

Table 11

Demographic Statistics - Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate % (4)
2024	12,635	N/A	N/A	2,080	2.5%
2023	12,582	N/A	N/A	2,096	2.5%
2022	12,574	N/A	N/A	2,076	2.4%
2021	12,475	N/A	\$ 66,561	2,077	3.3%
2020	12,373	N/A	62,645	2,118	6.0%
2019	12,395	\$ 4,938	59,892	2,119	2.5%
2018	12,320	4,731	58,119	2,122	2.7%
2017	12,311	4,529	56,729	2,106	3.5%
2016	12,287	4,334	55,344	2,059	3.5%
2015	12,359	4,367	54,592	2,108	4.1%

Source: (1) Weldon Cooper Center for Public Service
 (2) Bureau of Economic Analysis combined amount for York County/Poquoson
 (3) Poquoson School Board. Data is September enrollment for each fiscal year.
 (4) Bureau of Labor Statistics

N/A - This information is not available.

City of Poquoson, Virginia

Table 12

Principal Employers in Poquoson - Current Year and Nine Years Prior

Employer	Fiscal Year 2024		Fiscal Year 2015	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Poquoson City Public Schools	281	15.90%	282	17.47%
City of Poquoson	183	10.36%	136	8.43%
Food Lion	80	4.53%	60	3.72%
Golden Living Center/Bayside	44	2.49%	50	3.10%
Surf Rider	44	2.49%	60	3.72%
Schooners	39	2.21%	-	-
Dominion Village at Poquoson	38	2.15%	32	1.98%
McDonald's Restaurant	32	1.81%	36	2.23%
Poquoson Veterinary Hospital	28	1.58%	23	1.43%
Mares Exterminating	26	1.47%	-	-
Wendy's Restaurant	25	1.41%	27	1.67%
Taylor's Do It Center	16	0.91%	16	0.99%
Stephen's Office Supply	12	0.68%	18	1.12%
Farm Fresh	N/A	N/A	70	4.34%
	848	47.99%	810	50.20%

Source: City of Poquoson Economic Development Department

N/A - This information is not available.

City of Poquoson, Virginia

Table 13

Full-time Equivalent City Government Employees by Function / Program Last Ten Fiscal Years

Function/Program	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
GENERAL GOVERNMENT										
Management services	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20
Finance	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Planning	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Building	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Other	3.60	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3.10
POLICE										
Officers	32.50	30.00	28.00	28.00	28.50	28.50	26.50	25.50	24.50	23.50
Civilians	2.00	2.00	2.00	2.00	1.75	1.50	1.50	1.50	1.50	1.00
FIRE										
Firefighters and officers	35.00	32.00	32.00	32.00	32.00	32.00	32.00	32.00	30.00	29.00
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
REFUSE COLLECTION	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
OTHER PUBLIC WORKS	18.50	18.50	17.50	17.50	17.50	17.50	17.50	17.50	17.50	17.50
Engineering	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00
Other	3.75	3.75	3.75	3.75	3.75	3.00	2.00	2.00	2.00	2.00
FLEET	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
PARKS AND RECREATION	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80
LIBRARY	12.25	12.45	12.45	12.45	12.45	12.45	12.45	12.45	11.95	11.95
UTILITIES	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00
Totals	157.85	152.05	149.05	149.05	149.30	148.30	145.30	144.30	139.80	136.30

Source: Finance Department

City of Poquoson, Virginia

Table 14

Operating Indicators by Function / Program - Last Ten Fiscal Years

Function/Program	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
PUBLIC SAFETY										
Police department (1):										
Physical arrests	179	194	195	218	172	293	263	270	259	225
Parking violations	2	2	37	42	7	16	6	2	8	9
Traffic violations	589	844	679	644	586	660	841	824	714	728
Fire and rescue (2):										
Emergency responses	2,266	2,752	2,167	2,644	2,293	2,000	2,331	974	1,991	2,228
Fires extinguished	21	25	42	34	23	23	31	24	25	36
Inspections	129	40	81	107	65	113	155	108	182	237
REFUSE COLLECTION (3)										
Refuse collected (tons)	3,192	3,042	3,339	3,194	4,810	4,364	4,421	3,120	2,491	2,338
Recyclables collected (tons)	903	968	906	932	826	1,084	1,732	2,207	1,102	1,227
OTHER PUBLIC WORKS (3)										
Street resurfacing (tons)	3,468	6,666	4,781	8,998	1,632	3,600	2,736	3,317	3,461	1,764
LIBRARY (4)										
Volumes in collection	62,852	65,116	63,864	63,650	64,019	64,117	64,521	66,390	66,922	64,135
Total volumes borrowed	150,074	135,899	129,730	139,098	131,293	160,257	167,759	146,204	185,361	199,695
WASTEWATER (5)										
Sewer connections	5,520	5,291	5,148	5,087	5,060	5,027	5,029	5,004	4,943	4,910

Source: (1) City of Poquoson Police Department
(2) City of Poquoson Fire Department
(3) City of Poquoson Public Works Department
(4) City of Poquoson Library
(5) City of Poquoson Finance Department

City of Poquoson, Virginia

Table 15

Capital Assets Statistics by Function / Program - Last Ten Fiscal Years

Function/Program	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
PUBLIC SAFETY										
Police (1)										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	32	32	32	33	33	33	29	29	27	27
Fire stations (2):	2	2	2	2	2	2	2	2	2	2
REFUSE COLLECTION (3)										
Collection trucks	5	5	5	6	6	4	4	4	4	4
OTHER PUBLIC WORKS (3)										
Street (miles)	55.24	55.24	55.24	55.24	55.18	55.18	54.90	56.70	54.60	55.30
Streetlights	693	681	598	589	589	589	577	577	577	580
Traffic signals	4	4	4	4	4	4	4	4	4	4
PARKS AND RECREATION (4)										
Acreage	70	70	70	63	63	63	63	63	63	63
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball / softball diamonds	6	6	6	6	6	6	6	6	6	6
Soccer / football fields	6	6	6	6	6	6	6	6	6	6
Community centers	2	2	2	2	2	2	2	2	2	2
WASTEWATER (5)										
Sanitary sewers (miles)	65	65	65	65	65	65	65	65	65	65
Storm sewers (miles)	49.71 *	49.71 *	49.71 *	49.71 *	34.24*	34.24*	34.24*	34.24*	34.24*	34.24*
SCHOOLS (6)										
Schools	4	4	4	4	4	4	4	4	4	4
School buses	22	22	24	22	23	23	22	22	22	21

(*) Includes driveway pipes not available in previous years.

Source: (1) City of Poquoson Police Department
 (2) City of Poquoson Fire Department
 (3) City of Poquoson Public Works Department
 (4) City of Poquoson Parks and Recreation Department
 (5) City of Poquoson Utilities Department
 (6) Poquoson City Public Schools



Compliance Section

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards

To the Honorable Members of the City Council of
City of Poquoson, Virginia
Poquoson, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Poquoson, Virginia (the "City") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Poquoson, Virginia's basic financial statements, and have issued our report thereon dated November 6, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Poquoson, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no significant instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Poquoson, Virginia's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 6, 2024

City of Poquoson, Virginia
Schedule of Expenditures of Federal Awards
June 30, 2024

Federal Granting Agency / Recipient State Agency Grant Program	Federal Award Identification Number	Pass Through Entity Identifying Number	Federal Assistance Listing Number	Pass-through to Subrecipients	Federal Expenditures
U.S. Department of Transportation					
Pass through payments:					
Virginia Department of Motor Vehicles:					
Highway Safety Cluster:					
Selective Enforcement - Speed					
Prevention Incentive Speed		BPT-2023-53193-23193	20.600		\$ 1,550
Prevention Incentive Speed		BPT-2024-54195-24195	20.600		4,816
Total Highway Safety Cluster:					<u>6,366</u>
Virginia Department of Transportation:					
Highway Planning and Construction		UMCGVPM4N2N3	20.205		131,376
Total U.S. Department of Transportation					<u>137,742</u>
U.S. Environmental Protection Agency					
Pass through payment:					
Virginia Department of Environmental Quality					
Chesapeake Bay Implementation Grant (CBIG)	96,383,501	17306	66.466		14,596
Total U.S. Environmental Protection Agency					<u>14,596</u>
U.S. Department of Justice					
Direct payment:					
Bureau of Justice Assistance:					
Patrick Leahy Bulletproof Vest Partnership		N/A	16.607		1,541
Pass through payments:					
Virginia Department of Criminal Justice:					
Byrne Justice Assistance Grant Local Law					
Enforcement Block (LOLE)		15PBJA-23-GG-03038-MUMU	16.738		2,619
Office of Justice Programs:					
2022 BJA FY 2022 State Criminal Alien					
Assistance Program		15PBJA-22-RR-05467-SCAA	16.606		494
Total U.S. Department of Justice					<u>4,654</u>
U.S. Department of the Treasury					
Direct payments:					
Fish and Wildlife Cluster:					
Plum Tree Island Refuge		N/A	15.611		2,430
Total Fish and Wildlife Cluster:					<u>2,430</u>
2023 American Rescue Plan Act (ARPA) Coronavirus					
State and Local Fiscal Recovery Funds		N/A	21.027	\$ 49,063	4,596,750
Pass through payments:					
Virginia Department of Criminal Justice:					
Law Enforcement Equipment Grant	508516-LE	DCJS Grant Number 510248	21.027		158,348
Virginia Tourism Corporation:					
ARPA Tourism Recovery Plan		Not Available	21.027		21,457
Subtotal American Rescue Plan Recovery Fund				49,063	4,776,555
Total U.S. Department of the Treasury				<u>49,063</u>	<u>4,778,985</u>
U.S. Department of Homeland Security					
Direct Payment:					
Federal Emergency Management Agency:					
2022 Assistance to Firefighters Grant		N/A	97.044		167,856
Pass through payments:					
Virginia Department of Emergency Management:					
2022 Local Emergency Management Performance Grant		Not Available	97.042		7,500
2023 Port Security Grant Program		2023-FA-GC01-P410-4101-D	97.056		24,775
Total U.S. Department of Homeland Security					<u>200,131</u>
				49,063	5,136,108

City of Poquoson, Virginia
Schedule of Expenditures of Federal Awards
June 30, 2024

Federal Granting Agency / Recipient State Agency Grant Program	Federal Award Identification Number	Pass Through Entity Identifying Number	Federal Assistance Listing Number	Pass-through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture					
Pass through payments:					
Child Nutrition Cluster:					
Virginia Department of Agriculture and Consumer Services:					
Food Commodities		Not Available	10.555		64,603
Virginia Department of Education:					
Summer Food Service Program for Children		Not Available	10.559		11,081
National School Breakfast Program		Not Available	10.553		64,402
National School Lunch Program		Not Available	10.555		284,913
Total Child Nutrition Cluster					424,999
Virginia Department of Education:					
NSLP Equipment Assistance Grant		Not Available	10.579		108,010
Total U.S. Department of Agriculture					533,009
U.S. Department of Education					
Direct payments:					
Impact Aid		N/A	84.041		314,762
Pass through payments:					
Virginia Department of Education:					
Education Stabilization Fund		S425D200008/S425U210008	84.425D		7,996
Elementary and Secondary School Emergency Relief III Formula Fund		S425U210008	84.425U		185,322
Total Education Stabilization Fund					193,318
Title I: Grants to local educational agencies		S010A210046	84.010		142,188
Title II: Improving teacher quality state grants		S367A220044	84.367		35,908
Title III: Strengthening Institutions		S365A210046-2023-605120000	84.031A		1,109
Title IV: Student Support and Academic Enrichment Program		S424A210048	84.424		12,364
Special Education (IDEA) Cluster:					
Title VI-B: Assistance to states for Education of Handicapped Children:					
Special Education Grants		H027A210107/H027A220107	84.027		320,841
Preschool Handicapped		H173A210112/H173A220112	84.173		13,334
Total Special Education (IDEA) Cluster					334,175
Vocational education-basic grants to states		V048A210046/V048A220046	84.048		39,045
Total U.S. Department of Education					1,072,869
U.S. Department of Defense					
Support for Student Achievement at Military Connected Schools		N/A	12.556		103,880
Total U.S. Department of Defense					103,880
				\$ 49,063	\$ 6,845,866

City of Poquoson, Virginia
Notes to Schedule of Expenditures of Federal Awards
June 30, 2024

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The City's reporting entity is defined in Note 1 to the City's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2024, the food service organization had food commodities totaling \$22,262 in inventory.

3. Relationship to the Financial Statements

Revenues from federal awards are reported in the City's basic financial statements as follows:

General Fund	\$ 249,634
Special Revenue Fund	4,596,750
Capital Projects Fund	289,724
Schools	1,645,155
Donated commodities	64,603
Total federal awards reported in the basic financial statements	<u>\$ 6,845,866</u>

4. Subrecipients

ARPA (American Rescue Plan Act) Fiscal Recovery Funds were passed through to a subrecipient by the City.

5. Indirect Cost Rate

The City does not elect to use a 10% de minimis indirect cost rate allowed under Section 2 CFR 200.331(a)(4).

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Honorable Members of the City Council of
City of Poquoson, Virginia
Poquoson, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited the City of Poquoson, Virginia's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2024. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
November 6, 2024

City of Poquoson, Virginia
Summary of Compliance Matters
June 30, 2024

As more fully described in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investment Laws
- Conflicts of Interest Act
- Local Retirement Systems
- Procurement Laws
- Uniform Disposition of Unclaimed Property Act

Federal Compliance Matters

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal program selected for testing.

City of Poquoson, Virginia
Schedule of Findings and Questioned Costs
June 30, 2024

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies related to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements were disclosed.
4. No significant deficiencies relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion.
6. The audit disclosed no audit findings related to the major program.
7. The programs tested as major was:

<u>Name of Program</u>	<u>Assistance Listing Number</u>
ARPA (American Rescue Plan Act) Fiscal Recovery Fund	21.027

8. The threshold used to distinguish between Type A and Type B programs is \$750,000.
9. The City was determined to be a low-risk auditee.

B. Findings - Financial Statements

None noted.

C. Findings and Questioned Costs - Major Federal Award Program Audit

None noted.

D. Findings - Commonwealth of Virginia

None noted.

E. Prior Year Findings

None noted.

