

CITY OF  
**Poquoson**  
VIRGINIA

**Comprehensive Annual  
Financial Report**

Fiscal Year July 1, 2016 – June 30, 2017

*Comprehensive Annual  
Financial Report*

*City of Poquoson, Virginia*

*Fiscal Year Ended June 30, 2017*

*Prepared by:*

*The Department of Finance*

*Tonya O'Connell, CPA, Director of Finance*

*City of Poquoson, Virginia*

*Government Officials*

**City Council**

W. Eugene Hunt, Jr., Mayor  
Carey L. Freeman, Vice Mayor  
Jana D. Andrews  
Thomas J. Cannella, II  
Herbert R. Green, Jr.  
Charles M. Southall, III  
David A. Hux

**City Officials**

J. Randall Wheeler, City Manager  
Tonya O'Connell, CPA, Director of Finance  
Steven D. Clarke, Treasurer  
Graham P. Wilson, Commissioner of the Revenue  
D. Wayne Moore, City Attorney  
Judy F. Wiggins, City Clerk

**School Board**

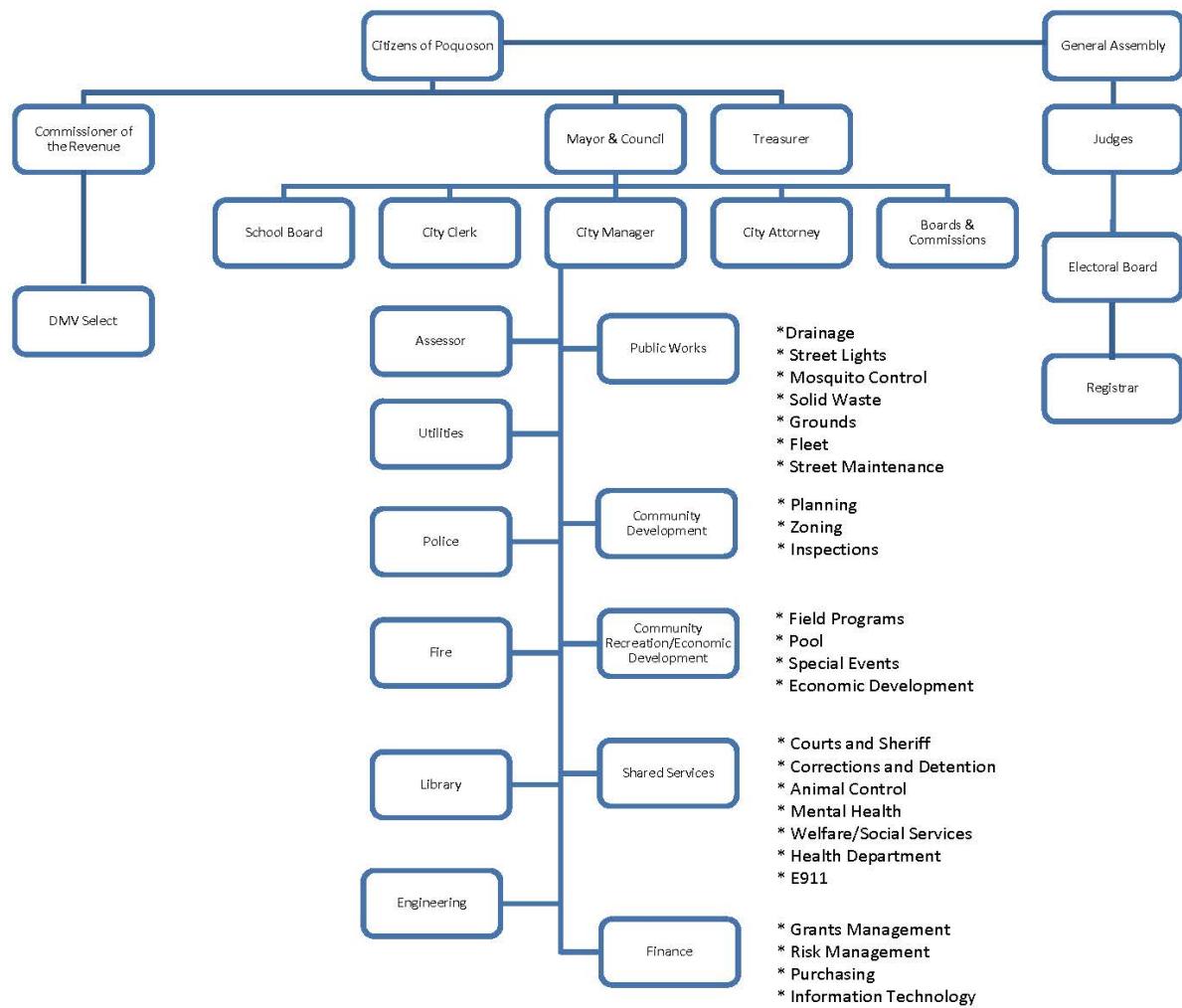
Steven S. Kast, Chairman  
Christina F. Helsel  
Wayne E. Holcomb  
Jeremiah P. Jordan  
Jennifer M. Mosteller  
Michelle B. Sheeler  
Gail L. Whittaker

**School Officials**

Jennifer Parish, Ed.D., Superintendent  
Antonia Fox, Ed.D., Assistant Superintendent for Instruction and Support Services  
Tara Woodruff, Executive Director of Finance  
Steven Pappas, Executive Director of Operations

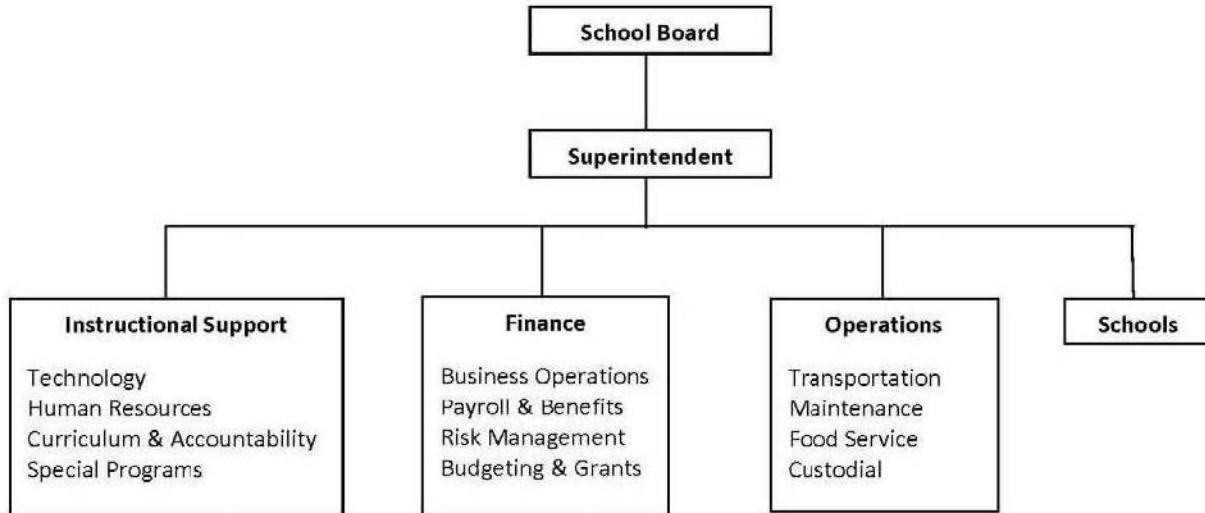
# CITY OF POQUOSON, VIRGINIA

## CITY GOVERNMENT ORGANIZATION CHART



## **Poquoson City Public Schools**

A Component Unit of the City of Poquoson



Note: City Council appoints School Board Members



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Poquoson  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

A handwritten signature in black ink, appearing to read "Jeffrey R. Evans".

Executive Director/CEO

***City of Poquoson, Virginia***  
***Comprehensive Annual Financial Report***  
***Fiscal Year Ended June 30, 2017***

**Table of Contents**

	<b>Page</b>
<b>Introductory Section</b>	
<i>Government Officials</i> .....	<i>i</i>
<i>City Government Organization Chart</i> .....	<i>ii</i>
<i>School Board Organization Chart</i> .....	<i>iii</i>
<i>Certificate of Achievement for Excellence in Financial Reporting</i> .....	<i>iv</i>
<i>Table of Contents</i> .....	<i>v - vii</i>
<i>Letter of Transmittal to City Council</i> .....	<i>viii - xiii</i>
	<b>Exhibit</b>
<b>Financial Section</b>	
<i>Report of Independent Auditor</i> .....	1 - 2
<i>Management's Discussion and Analysis</i> .....	3 - 16
<i>Basic Financial Statements</i>	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position.....	A 17
Statement of Activities.....	B 18
<i>Governmental Funds Financial Statements</i>	
Balance Sheet - Governmental Funds .....	C 19
Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Position .....	C 20
Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Governmental Funds .....	D 21
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Governmental Funds to Statement of Activities.....	D 22
Statement of Net Position - Proprietary Funds.....	E 23
Statement of Revenues, Expenses, and Changes in Fund Net Position -	
Proprietary Funds .....	F 24
Statement of Cash Flows - Proprietary Funds.....	G 25
Statement of Fiduciary Assets and Liabilities.....	H 26
Combining Statement of Net Position - Component Units .....	I 27
Combining Statement of Activities - Component Units .....	J 28
<i>Notes to Basic Financial Statements</i> .....	29 - 71

***City of Poquoson, Virginia***  
***Comprehensive Annual Financial Report***  
***Fiscal Year Ended June 30, 2017***

**Table of Contents (Continued)**

	<b>Exhibit</b>	<b>Page</b>
<b><i>Financial Section (Continued)</i></b>		
<b><i>Required Supplementary Information</i></b>		
Budgetary Comparison Schedule - General Fund (Budget Basis).....	K	72 - 77
Schedules of Changes in Net Pension Liability and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - City .....	L	78
Schedules of Changes in Net Pension Liability and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System – School Board.....	M	79
Schedules of Changes in School Board's Proportionate Share of the Net Pension Liability and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System Teachers' Pool.....	N	80
Schedules of Funding Progress and Employer Contributions (Unaudited) - Other Postemployment Benefits.....	O	81
Notes to Required Supplementary Information .....		82
	<b>Schedule</b>	<b>Page</b>
<b><i>Other Supplementary Information</i></b>		
Statement of Changes in Assets and Liabilities - Library Agency Fund .....	1	83
Combining Balance Sheet - Component Unit - School Board.....	2	84
Reconciliation of Combining Balance Sheet - Component Unit - School Board to Statement of Net Position - Component Unit - School Board .....	2	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Component Unit - School Board.....	3	86
Reconciliation of Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Component Unit - School Board to Statement of Activities Component Unit - School Board.....	3	87
Budgetary Comparison Schedule - General Fund - School Board .....	4	88
Schedule of Changes in Capital Assets by Function and Activity - School Board.....	5	89
Schedule of Changes in Assets and Liabilities - Agency Funds Discretely Presented Component Unit - School Board.....	6	90
Statement of Cash Flows - Component Unit - Economic Development Authority .....	7	91

***City of Poquoson, Virginia***  
***Comprehensive Annual Financial Report***  
***Fiscal Year Ended June 30, 2017***

**Table of Contents (Continued)**

	<b>Table</b>	<b>Page</b>
<b>Statistical Section</b>		
<i>Statistical Section Overview</i> .....	92	
<i>Net Position by Component - Last Ten Fiscal Years</i> .....	1	93
<i>Change in Net Position - Last Ten Fiscal Years</i> .....	2	94 - 95
<i>Fund Balances - Governmental Funds - Last Ten Fiscal Years</i> .....	3	96
<i>Changes in Fund Balances - Governmental Funds - Last Ten Fiscal Years</i> .....	4	97
<i>Assessed Value and Estimated Actual Value of Taxable Real Property -</i>		
<i>Last Ten Fiscal Years</i> .....	5	98
<i>Property Tax Levies and Collections - Last Ten Fiscal Years</i> .....	6	99
<i>Principal Taxpayers - 2017 and Nine Years Ago</i> .....	7	100
<i>Computation of Legal Debt Margin - Last Ten Fiscal Years</i> .....	8	101
<i>Ratios of Outstanding Debt by Type - Last Ten Fiscal Years</i> .....	9	102
<i>Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita -</i>		
<i>Last Ten Fiscal Years</i> .....	10	103
<i>Demographic Statistics - Last Ten Fiscal Years</i> .....	11	104
<i>Principal Employers in Poquoson - 2017 and Nine Years Ago</i> .....	12	105
<i>Full-time Equivalent City Government Employees by Function / Program -</i>		
<i>Last Ten Fiscal Years</i> .....	13	106
<i>Operating Indicators by Function / Program - Last Ten Fiscal Years</i> .....	14	107
<i>Capital Assets Statistics by Function / Program - Last Ten Fiscal Years</i> .....	15	108
<b>Compliance Section</b>		
<i>Report of Independent Auditor on Internal Control over Financial Reporting and</i> <i>    on Compliance and Other Matters Based on an Audit of Financial Statements</i>		
<i>Performed in Accordance with Government Auditing Standards</i> .....	109 - 110	
<i>Report of Independent Auditor on Compliance for Each Major Federal Program and</i> <i>    on Internal Control over Compliance Required by the Uniform Guidance</i> .....	111 - 112	
<i>Schedule of Expenditures of Federal Awards</i> .....	113	
<i>Notes to Schedule of Expenditures of Federal Awards</i> .....	114	
<i>Schedule of Findings and Questioned Costs</i> .....	115	



## **CITY OF POQUOSON**

**City Manager's Office**

**500 City Hall Avenue, Poquoson, Virginia 23662-1996**  
**(757)868-3000 Fax (757)868-3101**

November 30, 2017

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

We are pleased to submit to you the Comprehensive Annual Financial Report of the City of Poquoson (City) for the fiscal year ended June 30, 2017. An audited annual financial report is required in accordance with Article V, Section 11 of the Poquoson City Charter and is presented in conformity with Generally Accepted Accounting Principles (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 that has been 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.

Cherry Bekaert LLP, Certified Public Accountants, have issued an unmodified opinion on the City's financial statements for the year ended June 30, 2017. The unmodified report of Cherry Bekaert LLP, 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. Certain municipal functions continue to be shared with York County to include 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 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 Virginia State 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 state school 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 and appropriating funds by state established categories. 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; picks up trash, recycling, landscaping and bulky items; 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 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 starting on page 29.

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 January. 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 public hearings 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 73 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 region is the 37<sup>th</sup> largest metropolitan statistical area in the country. The City of Poquoson 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 according to The Weldon Cooper Center for Public Service, serves an estimated population of 12,528.

The City continues to recover from the recession. The City has seen increases in sales, real estate and personal property taxes. Sales of property have been trending slightly in a positive direction.

The City has direct access to leading employment sites including NASA's Langley Research Center, Langley Air Force Base and Newport News Shipbuilding. Local unemployment for the City remains below the state and national averages. According to the Bureau of Labor Statistics, the City's unemployment rate has had a minor increase from the prior year by 0.3% to 3.8%. The City's unemployment rate is below the current national average of 4.2% and slightly above the state average of 3.7%.

As part of the issuance of debt in June 2016, the City met with the 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 2016 general obligation bonds.

S&P assigned a rating of AAA on the City's 2016 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 strong budgetary flexibility, strong liquidity and strong financial policies and practices.

Moody's assigned a rating of Aa2 on the 2016 general obligation bonds and upgraded to Aa2 from Aa3 the rating on the City's outstanding debt. 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 the generic category.

## **Long-term Financial Planning**

Budgets and Capital Improvement Plans (CIP) 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 Capital Improvement Plan; the document then goes to City Council for final approval. Although the CIP 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.

## **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 16% of budget expenditures, well above the adopted policies.

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**

In 2015, 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 folder cites Poquoson as the place to “*Live, Grow, Work, And Play*” and provides one-page 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 City hosted its sixth annual residential realtor event to continue to promote the campaign.

Throughout fiscal years 2015 and 2016, the City of Poquoson approved several development projects with construction expected to commence in 2017. Only one of the projects, Victory Cove Subdivision, completed the house construction phase by adding 26 new single-family homes to the City’s western precinct. However, home construction continued in both the Village Park and Rubus Run (formerly named “Firth Lane Townhomes”) developments in the City’s central precinct. In mid-2017, half of the 26 housing units in Village Park were either occupied or under construction while approximately one-quarter of the 26 housing units in Rubus Run were under construction.

Additionally, one building permit has been issued for a single-family home in the 10-lot Drake's Landing Subdivision also located in the City's western precinct. No construction has yet commenced on the two additional mixed-use buildings in Phase II of the Fountains of Poquoson and site plans for Phases III and IV of the development have not yet been approved. Once completed, the entire Fountains development, located in the City's commercial district, will yield five mixed-use structures, one stand-alone commercial building and 18 townhomes. The City is still awaiting the submittal of the site plan for the Legacy of Poquoson and the completion of the redevelopment of a commercial site located at 834 Poquoson Avenue.

In August of 2014, the City accepted a Hazard Mitigation Grant from the Federal Emergency Management Agency through Virginia Department of Emergency Management to elevate homes in the City. The grant provides the City with resources to reduce or possibly eliminate the risk of repetitive flood damage to building and structures insurable under the National Flood Insurance Program. During 2017, the City was able to appropriate the funding and five homes have been elevated under this grant.

The City also continues to work with the City of Hampton and the Virginia Department of Transportation on the Wythe Creek Road widening project. This project will widen the street to three lanes for travel to and from the City of Hampton. The project also includes elevating the bridge over the causeway at the Poquoson/Hampton line. The elevation will provide an additional evacuation route out of the City of Poquoson during a flood event.

### **Awards and Acknowledgements**

In 2016, The City of Poquoson was presented the award for the highest seat belt use by the Department of Motor Vehicle and was recognized for the hard work for achieving zero traffic deaths and the City's dedication and commitment to saving lives by the 2017 Virginia Highway Safety Summit. In addition the City of Poquoson's Library was ranked 1<sup>st</sup> in both circulation per capita and library visits per capita among the 15 public libraries in the Tidewater area. It was also awarded the 2017 Outstanding Program for Children and Adults from the Virginia Public Library Director's Association.

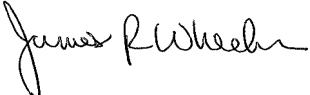
The City of Poquoson's school division was one of sixty-five fully accredited school divisions in 2017, meaning the school division met standards of learning benchmarks in reading, writing, math, science and social studies and the high school met benchmarks for graduation and completion rates. Additionally, Poquoson City Public Schools and three schools received the 2017 Board of Education Distinguished Achievement Award.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Poquoson for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the twenty-ninth 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 Comprehensive Annual 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.

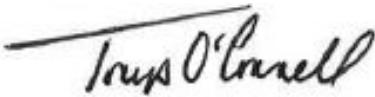
The City also received the GFOA's Award for Distinguished Budget Presentation for its Annual Adopted Budget for FY 2017. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial 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 School Board Finance Department, the Commissioner of the Revenue's office 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



Tonya A. O'Connell, CPA  
Director of Finance

*This page left blank intentionally*

## Report of Independent Auditor

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

### **Report on the Financial Statements**

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, (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility 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; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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 the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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, 2017, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, 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 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 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.

*Cheney Bekant LLP*

Virginia Beach, Virginia  
November 30, 2017



## **City of Poquoson, Virginia**

**500 City Hall Avenue  
Poquoson, Virginia 23662**

### **Management's Discussion and Analysis**

#### **Financial Highlights**

#### **Overview of the Financial Statements**

#### **Government-Wide Financial Analysis**

#### **Financial Analysis of the Government's Funds**

#### **General Fund Budgetary Highlights**

#### **Capital Asset and Debt Administration**

#### **Economic Factors and Next Year's Budgets and Rates**

#### **Requests for Information**

# **Management's Discussion and Analysis**

**Fiscal Year July 1, 2016 - June 30, 2017**

As management of the City of Poquoson, Virginia we offer readers of the City of Poquoson's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. 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 on pages viii through xiii of this report.

## **Financial Highlights**

- The assets and deferred outflows of the City of Poquoson exceeded its liabilities and deferred outflows as of June 30, 2017 by \$29.1 million (net position). Of this amount, \$4.6 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1.7 million.
- As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$9.9 million, of which \$4.4 million is available to spend at the City's discretion.
- As of June 30, 2017, unassigned fund balance for the General Fund was \$4.4 million or 17.5% of total General Fund expenditures.
- The City of Poquoson's total debt outstanding at June 30, 2017 was \$34.2 million for all funds.
- 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 \$.4 million which increased over last year by \$.1 million due to the refunding that was done in June of 2016.

## Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City of Poquoson'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 of Poquoson's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Poquoson'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 of Poquoson 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 of Poquoson 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 of Poquoson 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 of Poquoson include a Sewer Operations Fund and a Solid Waste Fund.

The government-wide financial statements include not only the City of Poquoson itself (known as the primary government), but also a legally separate school system, Poquoson Public Schools, and a legally separate Poquoson Economic Development Authority (EDA) for which the City of Poquoson 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 of Poquoson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Poquoson 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 of Poquoson 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, including the Grant Fund, the Debt Service Fund, and the Capital Projects Fund.

The governmental funds financial statements can be found on Exhibits C and D of this report.

The City of Poquoson 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 K.

**Proprietary Funds.** The City of Poquoson maintains two different types of proprietary funds. Enterprise funds provide both long-term and short-term information on business-type activities in the government-wide financial statements. The City of Poquoson 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 of Poquoson's departments. The City of Poquoson 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.** Fiduciary funds are used to account for resources held for the benefit of the Friends of the Library, a party outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Poquoson's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund statement can be found on Exhibit H 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 on pages 29-72 of this report.

**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 of Poquoson including financial information on the Poquoson Public School component unit. Supplementary information can be found on pages 73-92 of this report.

# Government-Wide Financial Analysis

## Summary of Statement of Net Position June 30, 2017

	Governmental Activities		Business-Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Current and other assets	\$11,503,036	\$11,862,070	\$2,919,155	\$2,355,682	\$14,422,191	\$14,217,752
Capital assets	42,492,548	43,076,120	11,332,549	11,930,820	53,825,097	55,006,940
Total assets	53,995,584	54,938,190	14,251,704	14,286,502	68,247,288	69,224,692
Deferred Outflows of Resources	2,655,413	2,325,492	207,293	225,201	2,862,706	2,550,693
<b>Total assets and deferred outflows</b>	<b>\$56,650,997</b>	<b>\$57,263,682</b>	<b>\$14,458,997</b>	<b>\$14,511,703</b>	<b>\$71,109,994</b>	<b>\$71,775,385</b>
Current and other liabilities	\$3,862,524	\$3,491,917	\$705,145	\$763,983	\$4,567,669	\$4,255,900
Long-term liabilities	30,186,216	31,770,237	6,547,989	7,075,463	36,734,205	38,845,700
	34,048,740	35,262,154	7,253,134	7,839,446	41,301,874	43,101,600
Deferred Inflows of Resources	674,060	1,226,295	27,940	48,705	702,000	1,275,000
<b>Total liabilities and deferred inflows</b>	<b>\$34,722,800</b>	<b>\$36,488,449</b>	<b>\$7,281,074</b>	<b>\$7,888,151</b>	<b>\$42,003,874</b>	<b>\$44,376,600</b>
Net investment in capital assets	\$17,903,251	\$16,369,767	\$4,611,977	\$4,754,036	\$22,515,228	\$21,123,803
Restricted	1,997,619	2,552,661	-	-	1,997,619	2,552,661
Unrestricted	2,027,327	1,852,805	2,565,946	1,869,516	4,593,273	3,722,321
<b>Total net position</b>	<b>\$21,928,197</b>	<b>\$18,626,213</b>	<b>\$7,177,923</b>	<b>\$6,623,552</b>	<b>\$29,106,120</b>	<b>\$27,398,785</b>

Net position serves as a useful indicator of a government's financial position. The City's combined net position totals \$29.1 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 \$22.5 million. The City of Poquoson 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 assets of \$4.6 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 of Poquoson is able to report positive balances in both categories of net position, for the governmental and business-type activities.

**Governmental Activities.** The government's net position increased by \$1.7 million during FY 2017. The governmental activities increased by \$1.1 million and the business-type activities increased by \$0.6 million. The increase in the governmental activities is due to an increase in tax revenue, sale of assets and reduction in accrued interest. The increase of the net position of the business-type activities is due to less than expected expenses in the Sewer Fund and additional unexpected sewer availability fees.

Summary of Changes in Net Position  
June 30, 2017

	Governmental Activities		Business-Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Revenues:						
Program revenues:						
Charges for services	\$1,121,444	\$1,246,241	\$3,008,517	\$2,816,867	\$5,144,144	\$4,063,108
Operating grants and contributions	1,640,741	1,633,650	-	-	1,640,741	1,633,650
Capital grants and contributions	1,659,748	837,446	-	-	645,565	837,446
General revenues:						
Real estate and personal property taxes	18,898,464	18,646,847	-	-	18,898,464	18,646,847
Other local taxes	2,957,310	2,838,120	-	-	2,957,310	2,838,120
Personal property tax relief	1,923,431	1,923,431	-	-	1,923,431	1,923,431
Reimbursements from other agencies	137,731	158,675	-	-	137,731	158,675
Miscellaneous	86,193	419,424	331	160	86,524	419,584
Unrestricted investment earnings	251,622	221,823	35,973	34,964	287,595	256,787
<b>Total revenues</b>	<b>\$28,676,684</b>	<b>\$27,925,657</b>	<b>\$3,044,821</b>	<b>\$2,851,991</b>	<b>\$31,721,505</b>	<b>\$30,777,648</b>
Expenses:						
General government	3,772,798	3,670,330	-	-	3,772,798	3,670,330
Public safety & judicial	6,811,120	6,367,432	-	-	6,811,120	6,367,432
Public works	1,454,996	672,523	-	-	1,454,996	672,523
Health and welfare	1,228,244	1,125,090	-	-	1,228,244	1,125,090
Education	10,089,105	10,434,221	-	-	10,089,105	10,424,221
Parks, recreation, cultural	2,113,548	1,923,884	-	-	2,113,548	1,923,884
Community development	1,611,496	667,793	-	-	1,611,496	667,793
Economic Development Authority	-	25,000	-	-	-	25,000
Interest and fees on long-term debt	638,246	1,040,364	-	-	638,246	1,040,364
Sewer	-	-	1,488,407	1,485,293	1,488,407	1,485,293
Solid waste	-	-	806,210	793,688	806,210	793,688
<b>Total expenses</b>	<b>27,719,553</b>	<b>25,926,637</b>	<b>2,294,617</b>	<b>2,278,981</b>	<b>30,014,170</b>	<b>28,205,618</b>
<b>Change in net assets before transfers</b>	<b>957,131</b>	<b>1,999,020</b>	<b>750,204</b>	<b>573,010</b>	<b>1,707,335</b>	<b>2,572,030</b>
Transfers	195,833	150,000	(195,833)	(150,000)	-	-
<b>Increase in net position</b>	<b>1,152,964</b>	<b>2,149,020</b>	<b>554,371</b>	<b>423,010</b>	<b>1,707,335</b>	<b>2,572,030</b>
<b>Net position, beginning of year</b>	<b>20,775,233</b>	<b>18,626,213</b>	<b>6,623,552</b>	<b>6,200,542</b>	<b>27,398,785</b>	<b>24,826,755</b>
<b>Net position, end of year</b>	<b>\$21,928,197</b>	<b>\$20,775,233</b>	<b>\$7,177,923</b>	<b>\$6,623,552</b>	<b>\$29,106,120</b>	<b>\$27,398,785</b>

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

	<b>FY 2017</b>	<b>FY 2016</b>
Real estate tax revenue	\$16,000,774	\$15,834,981
Public service corporation taxes	222,993	214,643
Personal property taxes	2,531,679	2,488,366
Penalties and interest	143,018	108,857
<b>Total</b>	<b>\$18,898,464</b>	<b>\$18,646,847</b>

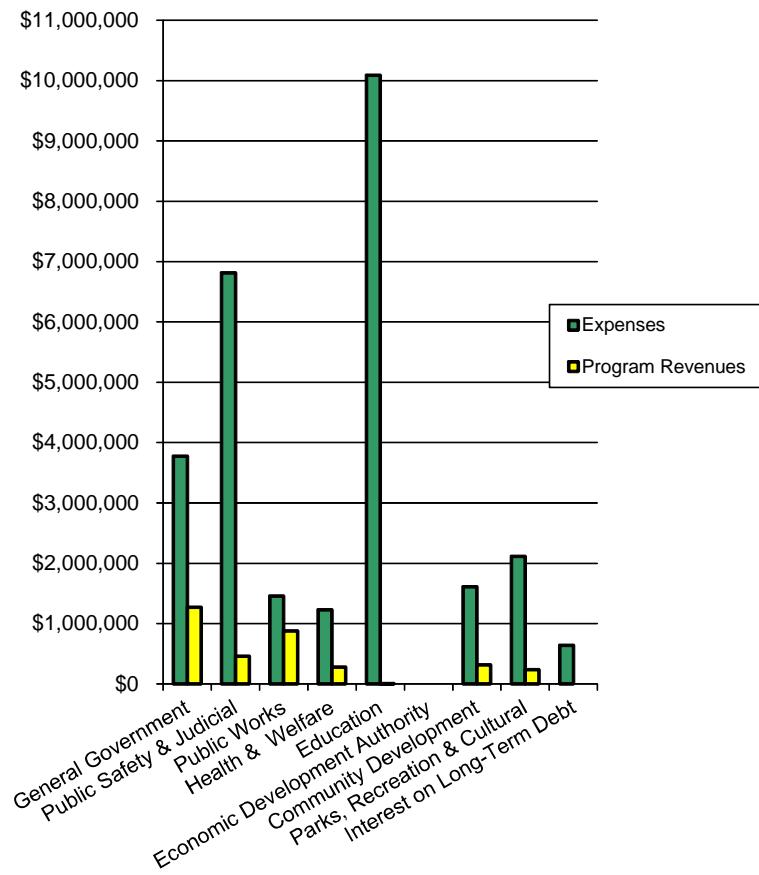
Real estate revenue was higher in FY 2017 as compared to FY 2016 this was due to a modest increase in development and reassessments of property at the beginning of fiscal year 2017. The City's real estate property tax assessments were \$1,532,812,342 and \$1,525,034,355 for FY 2017 and FY 2016, respectively. The City's real estate tax rate was \$1.07 per \$100 of assessed value per \$100 of assessed value in FY 2017 and FY 2016.

The City's personal property tax assessments were \$153,090,100 and \$152,065,140 for FY 2017 and FY 2016 respectively. In FY 2017 and FY 2016 the City's personal property tax rate was \$4.15 per \$100 of assessed value for vehicles. For boats and recreational vehicles the tax rate was \$0.00001 per \$100 of assessed value for boats and \$1.50 per \$100 of assessed value for recreational vehicles for FY 2017 and FY 2016. In FY 2017 and FY 2016, the City's tax rate for mobile homes was \$1.07 per assessed value. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the state's share of local personal property tax was \$1,923,431 for FY 2017 and FY 2016.

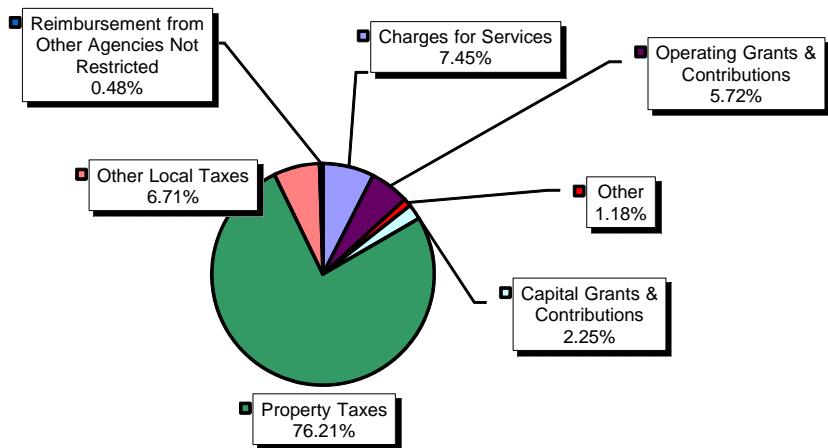
Other local taxes were \$2.9 million and \$2.8 million for FY 2017 and FY 2016, respectively and consisted of meals taxes, consumers' utilities taxes, franchise license taxes, motor vehicle license taxes and a variety of other taxes.

For FY 2017, expenses for governmental activities totaled \$27.7 million, including an expense of \$10.1 million to the component unit, Poquoson City School System. For FY 2016, expenses for governmental activities totaled \$25.9 million, including a net payment of \$10.4 million to the component unit, Poquoson City School System.

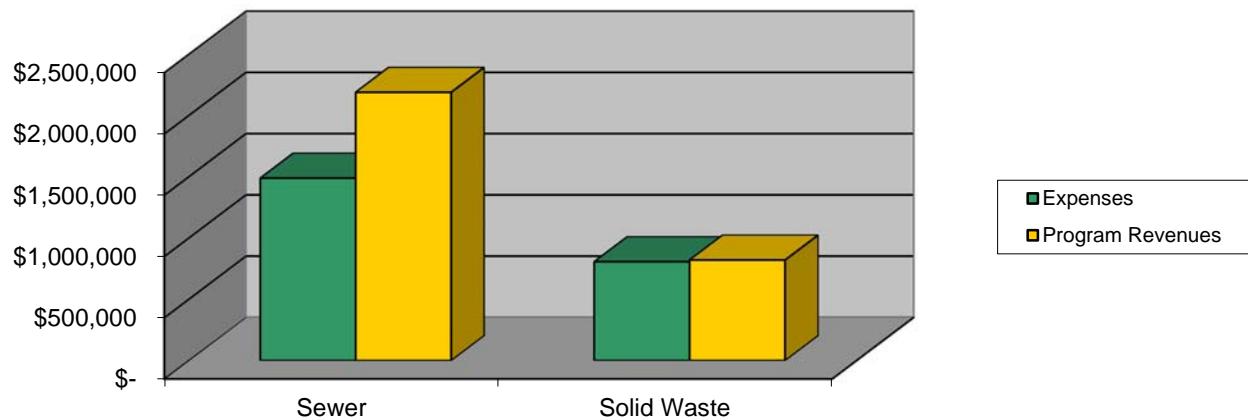
## Expenses and Program Revenues - Governmental Activities



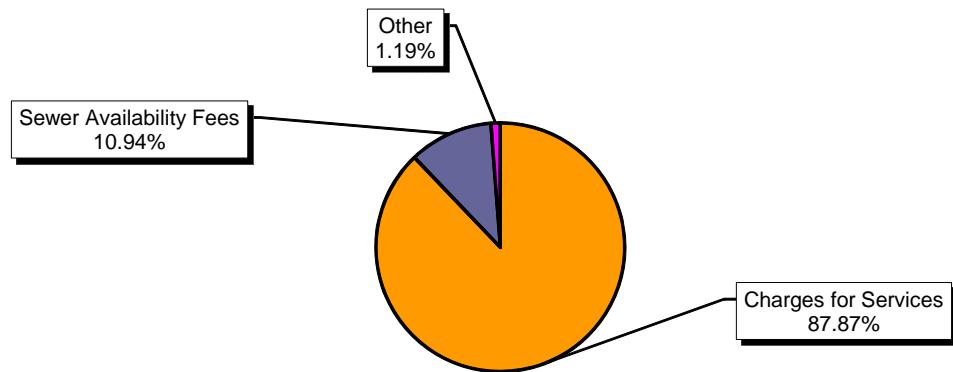
## Revenues by Sources - Governmental Activities



### Expense and Program Revenues - Business-Type Activities



### Revenues by Source - Business-Type Activities

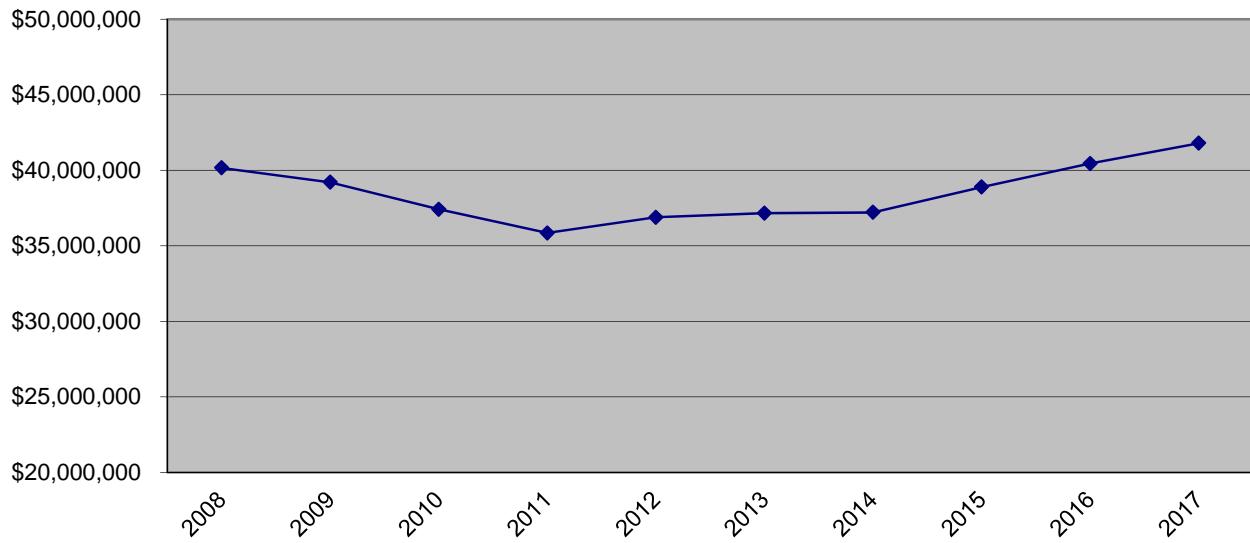


**Business-Type Activities.** Business-type activities increased the City's net position before transfers by \$.75 million and increased the net position by \$.55 million after transfers. This increase in net position can be attributable to a decrease in expenses and more than expected sewer availability fees paid and additional connections added.

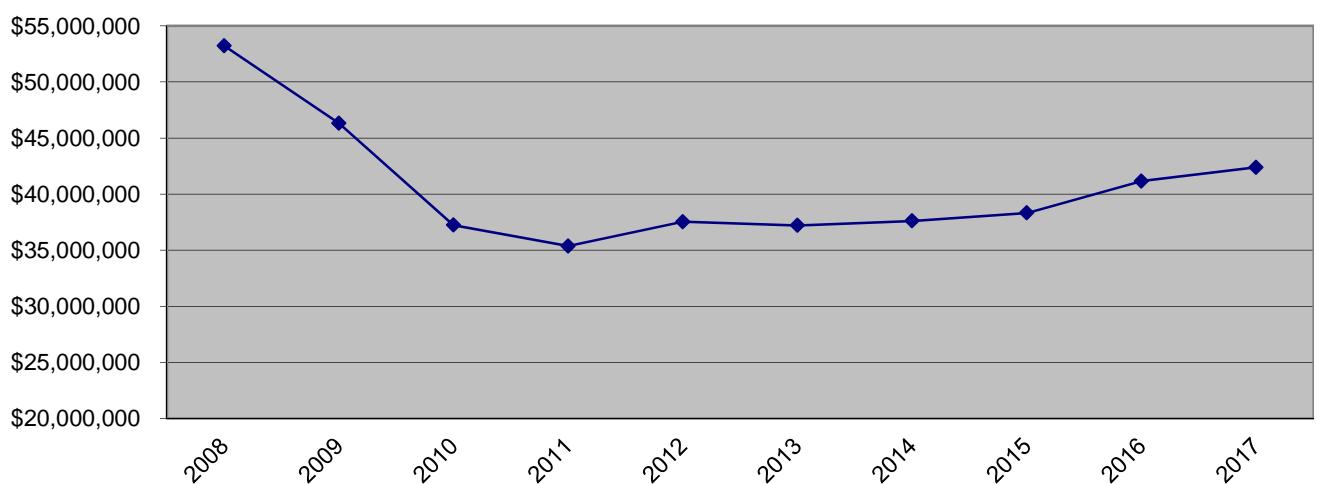
## Financial Analysis of the Government's Funds

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

### General Governmental Revenues



### General Governmental Expenditures



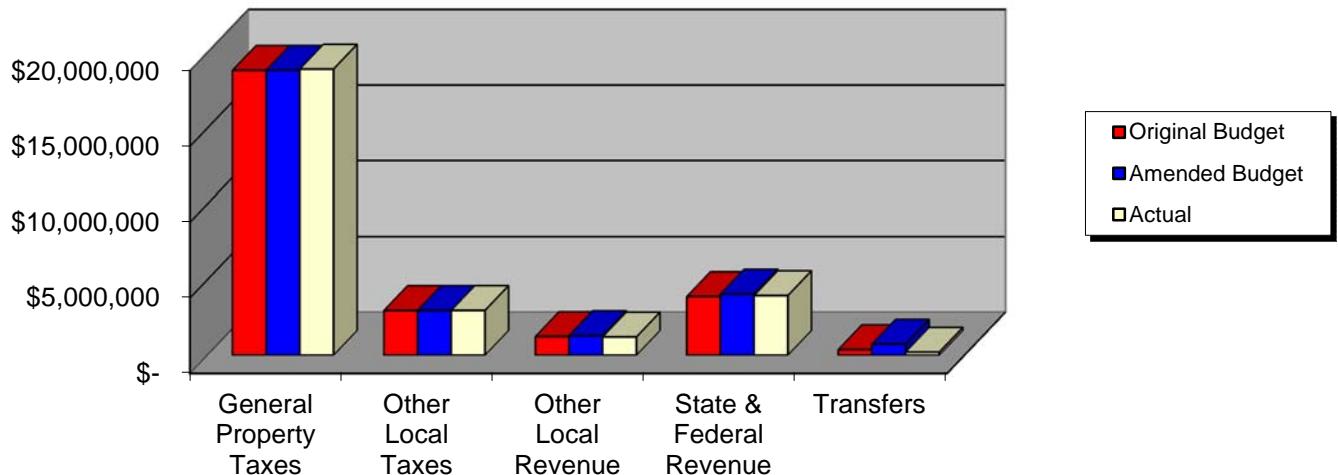
## General Fund Budgetary Highlights

The City of Poquoson 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 K. The City records actual revenues and expenditures using generally accepted accounting principles (GAAP) with the exception of encumbrances, which are included as budgetary expenditures. At the end of Exhibit K, the non-GAAP budgetary expenditures are reconciled to the GAAP statements. The budget differences of \$0.60 million between the original budget and the final amended budget can be briefly summarized as follows:

- \$.02 million additional transfer to the schools for the prior year unspent transfer to enhance safety and security in the school buildings.
- \$.20 million re-appropriation of restricted revenue received for the Police Department, Fire Department and Library.
- \$.05 million appropriation for various grants for public safety.
- \$.01 million appropriation for state asset forfeiture for the Police Department.
- \$.06 million appropriation for various other grants.
- \$.03 million appropriation for donations received for various departments.
- \$.01 million appropriation for additional funds received for Events.
- \$.01 million appropriation for transfers to fund capital projects.
- \$.09 million appropriation for additional costs for Comprehensive Services Act.
- \$.06 million appropriation for transfers to restrict funds for other post-employment benefits.
- \$.06 million appropriation for various other expenses in general and administration.

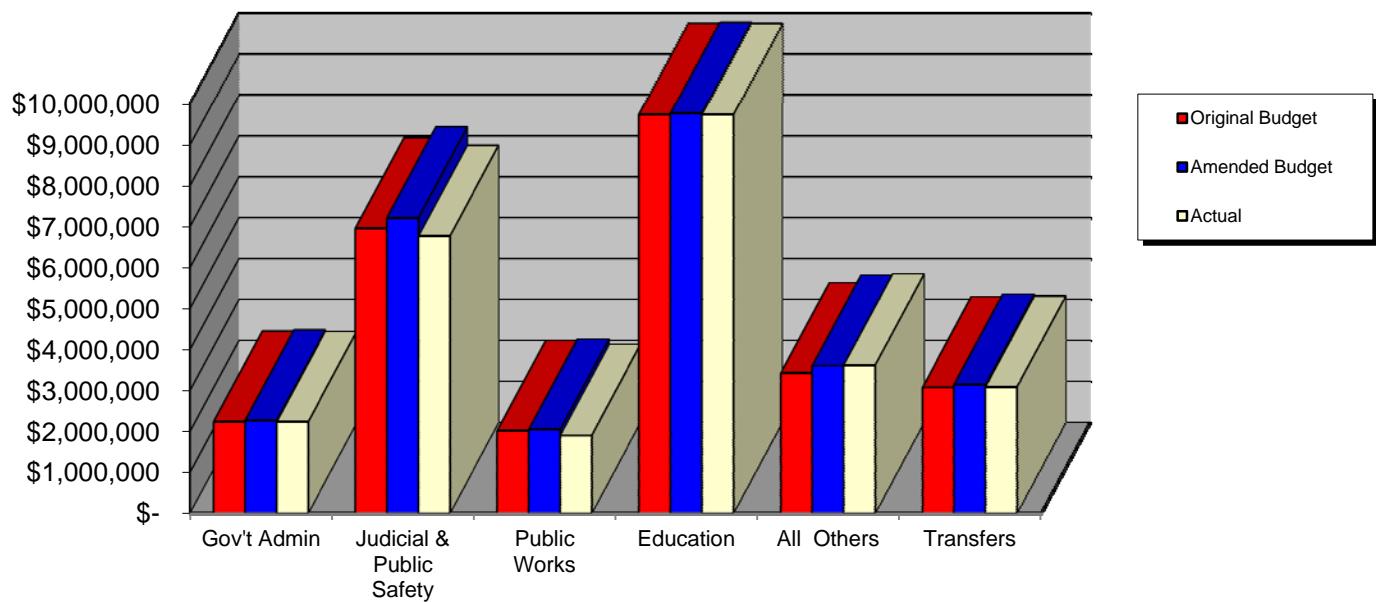
The charts on the following page show the original approved budget, the final amended budget, and actual amounts for both revenues and expenditures in the General Fund.

### General Fund Revenue Comparison of Budget to Actual



The City's actual general fund revenues of \$27.2 million did not meet the original budget and the amended budget by \$.001 and \$.6 million, respectively. The City was awarded various grants that were appropriated but had not yet been finalized and therefore the revenues were not received and the use of fund balance is budgeted but not included in actual revenue.

### General Fund Expenditures Comparison of Budget to Actual



As reflected above, actual General Fund expenditures were \$27.3 million. The decrease in expenditures is a result of costs saving through departmental vacancies and reduction in shared cost related to the judicial administration.

The budgetary comparison can be found on Exhibit K. For budgetary purposes, the City includes encumbrances outstanding at year-end in expenditures, which is not in accordance with generally accepted accounting principals (GAAP) in the United States of America. A reconciliation of budgetary basis to GAAP is also shown on Exhibit K.

### **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 2017, capital projects of \$1.3 million included renovation of high track, purchase of property, school bus, police vehicle and fire equipment. It also included costs for highway and drainage improvements.

## **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, 2017, amounted to \$54 million (net of accumulated depreciation). The investment in capital assets includes land, construction in progress, buildings, infrastructure, machinery and equipment, sewer system, 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 School Board 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 the schools to allocate a portion of their asset to the City, if the City has outstanding debt on the school building.

The following table summarizes capital assets, net of depreciation:

	Governmental Activities		Business-Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Land	\$3,241,092	\$3,241,092	\$214,666	\$214,666	\$3,455,758	\$3,455,758
Construction in progress	685,126	291,275	30,165	150,144	715,291	441,419
Buildings	5,463,634	5,799,011	69,295	73,269	5,532,929	5,872,280
Infrastructure	7,542,544	7,716,707	-	-	7,542,544	7,716,707
Land Improvements	1,643,499	1,508,434	-	-	1,643,499	1,508,434
Machinery and equipment	2,147,222	2,129,382	305,681	371,042	2,452,903	2,500,424
Sewer system	-	-	10,705,742	11,114,698	10,705,742	11,114,698
Sewer easement	-	-	7,000	7,000	7,000	7,000
Allocated school buildings	21,769,431	22,390,219	-	-	21,769,431	22,390,219
<b>Total</b>	<b>\$42,492,548</b>	<b>\$43,076,120</b>	<b>\$11,332,549</b>	<b>\$11,930,819</b>	<b>\$53,825,097</b>	<b>\$55,006,939</b>

**Debt Administration.** Total outstanding general obligation debt at June 30, 2017 was \$30.3 million of which \$23.9 million is considered to be net direct tax supported debt. Included in the total debt are \$23.4 million in bonds and leases and \$.5 million in State Literary Loans. The remaining \$6.4 million are bonds for the sewer system that are essentially paid for by revenues in the Sewer Operations 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, 2017 debt limitation for the City of Poquoson is \$152.2 million, which is significantly in excess of the City of Poquoson's \$30.3 million outstanding net direct bonded debt.

Net Direct Tax Supported Debt  
General Governmental Activities

	<b>FY 2017</b>	<b>FY 2016</b>
Net direct bonded debt	\$23,919,586	\$25,854,587
Ratio of outstanding direct debt to assessed value	1.57%	1. 69%
Net debt per capita	\$1,869	\$2,128

More detailed information on the City of Poquoson's long-term debt activity and capital asset activity can be found in Notes 8, 9 and 10 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The FY 2018 budget was prepared with economic trends and factors within the City taken into account:

- The FY 2018 adopted budget maintained the real estate tax rate of \$1.07 per \$100 of assessed value.
- The FY 2018 adopted budget had a modest increase for real estate tax based on new homes and the reassessment of property values at the beginning of fiscal year 2017.
- The FY 2018 adopted budget included funding for the other-post employment benefits for eligible employees who retire from the City.
- In FY 2018 expenditure increases included salary increases and related fringe benefits tied to the same.
- In FY 2018 the school contribution was increased by \$195,000 due to the reduction of state revenue and increase in expenditures to include a pay increase due to the state only providing funding to cover pay increase from February to June.
- In FY 2018, \$88,000 was budgeted from the use of fund balance for one time capital expenditures.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Poquoson'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:

Tonya A. O'Connell, CPA  
Director of Finance  
500 City Hall Avenue  
Poquoson, Virginia 23662

*Basic Financial Statements*

**Statement of Net Position****June 30, 2017**

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
	<b>Assets</b>			
Cash and investments	\$ 5,445,369	\$ 2,559,840	\$ 8,005,209	\$ 2,483,386
Restricted cash and investments	1,997,619	-	1,997,619	208,612
Property taxes receivable, net	416,292	-	416,292	-
Other receivables, net	41,570	353,344	394,914	11,475
Due from component units	46,533	-	46,533	-
Notes receivable, component unit	1,709,587	-	1,709,587	-
Due from other governments	1,698,239	-	1,698,239	335,745
Inventory	10,146	4,740	14,886	26,149
Notes receivable	137,681	1,231	138,912	-
Other postemployment benefit asset	-	-	-	46,661
Capital assets				
Non-depreciable	3,926,218	244,831	4,171,049	2,943,037
Depreciable, net	38,566,330	11,087,718	49,654,048	5,142,311
<b>Total assets</b>	<b>53,995,584</b>	<b>14,251,704</b>	<b>68,247,288</b>	<b>11,197,376</b>
<b>Deferred Outflows of Resources</b>				
Employer contributions subsequent to the measurement date	513,706	21,294	535,000	1,708,584
Net difference between projected and actual earnings on pension plan investments	657,736	27,264	685,000	1,213,000
Net difference between expected and actual experience	-	-	-	32,000
Deferred refunding costs	1,483,971	158,735	1,642,706	-
<b>Total deferred outflows of resources</b>	<b>2,655,413</b>	<b>207,293</b>	<b>2,862,706</b>	<b>2,953,584</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 56,650,997</b>	<b>\$ 14,458,997</b>	<b>\$ 71,109,994</b>	<b>\$ 14,150,960</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,391,423	\$ 92,008	\$ 1,483,431	\$ 2,412,458
Accrued interest	130,950	90,027	220,977	14,087
Due to Primary Government	-	-	-	1,756,120
Noncurrent liabilities				
Due within one year	2,340,151	523,110	2,863,261	78,721
Due in more than one year	26,265,507	6,385,790	32,651,297	296,140
Net pension liability	3,510,801	145,522	3,656,323	20,854,000
Other postemployment benefit obligation	409,908	16,677	426,585	-
<b>Total liabilities</b>	<b>34,048,740</b>	<b>7,253,134</b>	<b>41,301,874</b>	<b>25,411,526</b>
<b>Deferred Inflows of Resources</b>				
Net differences between expected and actual experience	674,060	27,940	702,000	661,000
Deferred pension proportionate share of contributions	-	-	-	246,000
<b>Total deferred inflows of resources</b>	<b>674,060</b>	<b>27,940</b>	<b>702,000</b>	<b>907,000</b>
<b>Net Position</b>				
Net investment in capital assets	17,903,251	4,611,977	22,515,228	6,375,761
Restricted for				
Capital projects	1,644,469	-	1,644,469	-
Education	-	-	-	208,612
Other postemployment benefits	59,909	-	59,909	-
Public safety	162,477	-	162,477	-
Parks, recreation, and cultural	31,407	-	31,407	-
Community development	99,357	-	99,357	-
Unrestricted (deficit)	2,027,327	2,565,946	4,593,273	(18,751,939)
<b>Total net position (deficit)</b>	<b>21,928,197</b>	<b>7,177,923</b>	<b>29,106,120</b>	<b>(12,167,566)</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 56,650,997</b>	<b>\$ 14,458,997</b>	<b>\$ 71,109,994</b>	<b>\$ 14,150,960</b>

The accompanying notes are an integral part of the basic financial statements.

**Statement of Activities****Year Ended June 30, 2017**

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Position			
	Expenses	Charges	Operating	Capital	Primary Government		Component	
		For Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Units
<b>Primary Government</b>								
Government activities								
General government and administration	\$ 3,772,798	\$ 255,706	\$ -	\$ -	\$ (3,517,092)	\$ -	\$ (3,517,092)	\$ -
Public safety and judicial	6,811,120	458,937	325,219	-	(6,026,964)	-	(6,026,964)	-
Public works	1,454,996	-	880,394	645,565	70,963	-	70,963	-
Health and welfare	1,228,244	-	279,406	-	(948,838)	-	(948,838)	-
Education	10,089,105	3,655	-	-	(10,085,450)	-	(10,085,450)	-
Parks, recreation, and cultural	2,113,548	85,445	149,530	-	(1,878,573)	-	(1,878,573)	-
Community development	1,611,496	317,701	6,192	1,014,183	(273,420)	-	(273,420)	-
Interest and fees on long-term debt	638,246	-	-	-	(638,246)	-	(638,246)	-
<b>Total governmental activities</b>	<b>27,719,553</b>	<b>1,121,444</b>	<b>1,640,741</b>	<b>1,659,748</b>	<b>(23,297,620)</b>	<b>-</b>	<b>(23,297,620)</b>	<b>-</b>
Business-type activities								
Sewer	1,488,407	2,188,672	-	-	-	700,265	700,265	-
Solid waste	806,210	819,845	-	-	-	13,635	13,635	-
<b>Total business-type activities</b>	<b>2,294,617</b>	<b>3,008,517</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>713,900</b>	<b>713,900</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 30,014,170</b>	<b>\$ 4,129,961</b>	<b>\$ 1,640,741</b>	<b>\$ 1,659,748</b>	<b>(23,297,620)</b>	<b>713,900</b>	<b>(22,583,720)</b>	<b>-</b>
<b>Component Units</b>								
Poquoson Public Schools	\$ 22,691,882	\$ 759,549	\$ 10,025,446	\$ -	-	-	-	(11,906,887)
Economic Development Authority	82,428	24,972	-	-	-	-	-	(57,456)
<b>Total component units</b>	<b>\$ 22,774,310</b>	<b>\$ 784,521</b>	<b>\$ 10,025,446</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,964,343)</b>
<b>General Revenues</b>								
Real estate and personal property taxes					18,898,464	-	18,898,464	-
Other local taxes					2,957,310	-	2,957,310	-
Personal property tax relief from Commonwealth of Virginia					1,923,431	-	1,923,431	-
Payments from the City of Poquoson					-	-	-	9,738,170
Reimbursements from other agencies not restricted to specific programs					137,731	-	137,731	2,284,844
Miscellaneous					86,193	331	86,524	-
Unrestricted investment earnings					251,622	35,973	287,595	-
<b>Total general revenues, transfers, and miscellaneous</b>	<b>195,833</b>	<b>(195,833)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers</b>	<b>24,450,584</b>	<b>(159,529)</b>	<b>24,291,055</b>	<b>-</b>	<b>24,291,055</b>	<b>-</b>	<b>24,291,055</b>	<b>12,023,014</b>
<b>Change in net position</b>	<b>1,152,964</b>	<b>554,371</b>	<b>1,707,335</b>	<b>-</b>	<b>1,707,335</b>	<b>-</b>	<b>1,707,335</b>	<b>58,671</b>
<b>Net position, beginning of year</b>	<b>20,775,233</b>	<b>6,623,552</b>	<b>27,398,785</b>	<b>-</b>	<b>27,398,785</b>	<b>-</b>	<b>27,398,785</b>	<b>(12,226,237)</b>
<b>Net position, end of year</b>	<b>\$ 21,928,197</b>	<b>\$ 7,177,923</b>	<b>\$ 29,106,120</b>	<b>-</b>	<b>\$ 29,106,120</b>	<b>-</b>	<b>\$ 29,106,120</b>	<b>\$(12,167,566)</b>

The accompanying notes are an integral part of the basic financial statements.

***Balance Sheet - Governmental Funds*****June 30, 2017**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 4,641,162	\$ 423,333	\$ 380,874	\$ 5,445,369
Restricted cash and investments	353,150	-	1,644,469	1,997,619
Property taxes receivable, net	416,292	-	-	416,292
Other receivables	41,315	-	-	41,315
Notes receivable	137,681	-	-	137,681
Due from component units	1,756,120	-	-	1,756,120
Due from other governmental units	1,698,239	-	-	1,698,239
<b>Total assets</b>	<b>\$ 9,043,959</b>	<b>\$ 423,333</b>	<b>\$ 2,025,343</b>	<b>\$ 11,492,635</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,321,507	\$ 749	\$ 34,129	\$ 1,356,385
<b>Total liabilities</b>	<b>1,321,507</b>	<b>749</b>	<b>34,129</b>	<b>1,356,385</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	249,101	-	-	249,101
<b>Fund Balances</b>				
Fund balances:				
Nonspendable	1,847,268	-	-	1,847,268
Restricted	353,150	-	1,644,469	1,997,619
Assigned	914,114	422,584	346,745	1,683,443
Unassigned	4,358,819	-	-	4,358,819
<b>Total fund balances</b>	<b>7,473,351</b>	<b>422,584</b>	<b>1,991,214</b>	<b>9,887,149</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 9,043,959</b>	<b>\$ 423,333</b>	<b>\$ 2,025,343</b>	<b>\$ 11,492,635</b>

The accompanying notes are an integral part of the basic financial statements.

***Balance Sheet - Governmental Funds*****June 30, 2017****Reconciliation of Balance Sheet - Governmental Funds  
to Statement of Net Position**

<b>Total fund balances - governmental funds</b>	\$ 9,887,149
---	--------------

Amount reported for governmental 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.	42,481,234
--	------------

Deferred outflows of resources for pension contributions used in governmental activities are not financial resources and, therefore, are not reported in the funds.	499,690
---	---------

Deferred outflows of resources for difference between projected and actual earnings on pension plan investments and, therefore, are not reported in the funds.	639,790
--	---------

Deferred outflows of resources for gain/loss on refunding in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,483,971
---	-----------

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.	249,101
--	---------

Other liabilities not paid from current period revenues are not reported in funds for:

Accrued interest	(130,950)
Accrued compensated absences	(675,758)
Net pension liability	(3,415,005)
Other postemployment benefit obligation	(399,687)

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.	(27,910,079)
--	--------------

Deferred inflows of resources for pension investment experience is not due and payable in the current period and, therefore, is not reported in the funds.	(655,668)
--	-----------

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.	(125,591)
---	-----------

<b>Total net position - governmental activities</b>	<u>\$ 21,928,197</u>
---	----------------------

The accompanying notes are an integral part of the basic financial statements.

**Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds****Year Ended June 30, 2017**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Revenues</b>				
General property taxes	\$ 18,939,996	\$ -	\$ -	\$ 18,939,996
Other local taxes	2,957,310	-	-	2,957,310
Permits, privilege fees, and regulatory licenses	157,800	-	-	157,800
Fines and forfeitures	34,665	-	-	34,665
Use of money and property	251,622	-	-	251,622
Charges for services	689,823	-	-	689,823
Intergovernmental	4,955,242	-	645,565	5,600,807
Miscellaneous	72,600	-	5,083	77,683
<b>Total revenues</b>	<b>28,059,058</b>	<b>-</b>	<b>650,648</b>	<b>28,709,706</b>
<b>Expenditures</b>				
General government administration	2,197,779	-	-	2,197,779
Public safety and judicial	6,748,735	-	-	6,748,735
Public works	1,904,962	-	-	1,904,962
Health and welfare	1,226,563	-	-	1,226,563
Parks, recreation, and cultural	1,617,467	-	-	1,617,467
Community development	1,616,597	-	-	1,616,597
Nondepartmental	138,342	-	-	138,342
Education	9,738,170	-	-	9,738,170
Capital outlay	-	-	1,468,075	1,468,075
Debt service				
Principal retirement	-	1,935,001	34,644	1,969,645
Interest and fiscal charges	-	842,370	-	842,370
<b>Total expenditures</b>	<b>25,188,615</b>	<b>2,777,371</b>	<b>1,502,719</b>	<b>29,468,705</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,870,443</b>	<b>(2,777,371)</b>	<b>(852,071)</b>	<b>(758,999)</b>
<b>Other financing sources (uses), net</b>				
Capital lease	-	-	161,868	161,868
Transfers in	195,833	2,888,155	133,000	3,216,988
Transfers out	(3,021,155)	-	-	(3,021,155)
<b>Total other financing sources (uses)</b>	<b>(2,825,322)</b>	<b>2,888,155</b>	<b>294,868</b>	<b>357,701</b>
<b>Net change in fund balances</b>	<b>45,121</b>	<b>110,784</b>	<b>(557,203)</b>	<b>(401,298)</b>
<b>Fund balances, July 1, 2016</b>	<b>7,428,230</b>	<b>311,800</b>	<b>2,548,417</b>	<b>10,288,447</b>
<b>Fund balances, June 30, 2017</b>	<b>\$ 7,473,351</b>	<b>\$ 422,584</b>	<b>\$ 1,991,214</b>	<b>\$ 9,887,149</b>

The accompanying notes are an integral part of the basic financial statements.

***Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds*****Year Ended June 30, 2017****Reconciliation of Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Governmental Funds to Statement of Activities**

<b>Net change in fund balances - total governmental funds</b>	\$ (401,298)
---	--------------

Amount reported for governmental activities in the Statement of Activities are different because:

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.

	(41,532)
--	----------

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.

Capital outlay	1,232,645
Depreciation expense	(1,811,405)
Disposal and transfers of capital assets	(2,821)

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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Capital lease	(161,868)
Deferred refunding charge, net	(148,413)
Repayment of debt principal	2,275,113

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	47,069
Compensated absences	(36,642)
Pension cost	245,682
Other postemployment benefits liability	(52,076)

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.

	8,510
--	-------

**Change in net position - governmental activities**

\$	1,152,964
----	-----------

**Statement of Net Position - Proprietary Funds****June 30, 2017**

	Business-Type Activities			Governmental
	Proprietary Funds			Activities -
	Sewer Operation	Solid Waste	Total	Internal Service Funds
<b>Assets</b>				
<b>Current assets</b>				
Cash and investments	\$ 2,388,646	\$ 171,194	\$ 2,559,840	\$ -
Accounts receivable	228,489	124,855	353,344	255
Note receivable	1,231	-	1,231	-
Inventory	-	4,740	4,740	10,146
<b>Total current assets</b>	<b>2,618,366</b>	<b>300,789</b>	<b>2,919,155</b>	<b>10,401</b>
<b>Noncurrent assets</b>				
Capital assets				
Land	214,666	-	214,666	-
Construction in progress	30,165	-	30,165	-
Buildings	67,437	18,966	86,403	41,742
Sewer system	22,400,814	-	22,400,814	-
Equipment	907,229	438,320	1,345,549	51,795
Less - accumulated depreciation	(12,350,302)	(394,746)	(12,745,048)	(82,223)
<b>Total capital assets, net</b>	<b>11,270,009</b>	<b>62,540</b>	<b>11,332,549</b>	<b>11,314</b>
<b>Total assets</b>	<b>13,888,375</b>	<b>363,329</b>	<b>14,251,704</b>	<b>21,715</b>
<b>Deferred outflows of resources</b>				
Employer contributions subsequent to the measurement date	17,816	3,478	21,294	14,016
Net difference between projected and actual earnings on pension plan investments	22,811	4,453	27,264	17,946
Deferred refunding costs	158,735	-	158,735	-
<b>Total deferred outflows of resources</b>	<b>199,362</b>	<b>7,931</b>	<b>207,293</b>	<b>31,962</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 14,087,737</b>	<b>\$ 371,260</b>	<b>\$ 14,458,997</b>	<b>\$ 53,677</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$ 7,093	\$ 69,105	\$ 76,198	\$ 21,534
Accrued payroll	11,187	4,623	15,810	13,504
Accrued interest	90,027	-	90,027	-
Compensated absences	2,675	285	2,960	1,982
Bonds payable	520,150	-	520,150	-
<b>Total current liabilities</b>	<b>631,132</b>	<b>74,013</b>	<b>705,145</b>	<b>37,020</b>
<b>Noncurrent liabilities</b>				
Compensated absences	24,071	2,562	26,633	17,839
Bonds payable	6,359,157	-	6,359,157	-
Net pension liability	121,756	23,766	145,522	95,796
Other postemployment benefit obligation	13,180	3,497	16,677	10,221
<b>Total noncurrent liabilities</b>	<b>6,518,164</b>	<b>29,825</b>	<b>6,547,989</b>	<b>123,856</b>
<b>Total liabilities</b>	<b>7,149,296</b>	<b>103,838</b>	<b>7,253,134</b>	<b>160,876</b>
<b>Deferred inflows of resources</b>				
Net differences between expected and actual experience	23,377	4,563	27,940	18,392
<b>Total liabilities and deferred inflows of resources</b>	<b>7,172,673</b>	<b>108,401</b>	<b>7,281,074</b>	<b>179,268</b>
<b>Net position</b>				
Net investment in capital assets	4,549,437	62,540	4,611,977	11,314
Unrestricted (deficit)	2,365,627	200,319	2,565,946	(136,905)
<b>Total net position (deficit)</b>	<b>6,915,064</b>	<b>262,859</b>	<b>7,177,923</b>	<b>(125,591)</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 14,087,737</b>	<b>\$ 371,260</b>	<b>\$ 14,458,997</b>	<b>\$ 53,677</b>

The accompanying notes are an integral part of the basic financial statements.

***Statement of Revenue, Expenses, and Changes in Fund Net Position - Proprietary Funds*****Year Ended June 30, 2017**

	Proprietary Fund Types			Governmental Activities -	
	Sewer Operation	Solid Waste	Total	Internal	Service Funds
<b>Operating revenues</b>					
Charges for services	\$ 1,855,672	\$ 819,845	\$ 2,675,517	\$ 704,324	
Miscellaneous	251	80	331	-	
<b>Total operating revenues</b>	<b>1,855,923</b>	<b>819,925</b>	<b>2,675,848</b>	<b>704,324</b>	
<b>Operating expenses</b>					
Personnel services	307,656	88,148	395,804	249,364	
Contractual services	125,941	226,799	352,740	76,539	
Materials and supplies	57,878	44,146	102,024	349,259	
Utilities	80,400	105	80,505	3,780	
Depreciation and amortization	636,265	12,963	649,228	1,991	
Other charges	35,715	3,871	39,586	14,881	
Waste disposal	-	430,178	430,178	-	
<b>Total operating expenses</b>	<b>1,243,855</b>	<b>806,210</b>	<b>2,050,065</b>	<b>695,814</b>	
<b>Operating income</b>	<b>612,068</b>	<b>13,715</b>	<b>625,783</b>	<b>8,510</b>	
<b>Nonoperating revenues (expenses)</b>					
Interest income	35,973	-	35,973	-	
Interest and fiscal charges	(244,552)	-	(244,552)	-	
Sewer availability fees	333,000	-	333,000	-	
<b>Nonoperating revenues, net</b>	<b>124,421</b>	<b>-</b>	<b>124,421</b>	<b>-</b>	
<b>Income before transfers</b>	<b>736,489</b>	<b>13,715</b>	<b>750,204</b>	<b>8,510</b>	
<b>Transfers</b>					
Transfers out	(150,000)	(45,833)	(195,833)	-	
<b>Transfers, net</b>	<b>(150,000)</b>	<b>(45,833)</b>	<b>(195,833)</b>	<b>-</b>	
<b>Change in net position</b>	<b>586,489</b>	<b>(32,118)</b>	<b>554,371</b>	<b>8,510</b>	
<b>Net position, July 1, 2016</b>	<b>6,328,575</b>	<b>294,977</b>	<b>6,623,552</b>	<b>(134,101)</b>	
<b>Net position, June 30, 2017</b>	<b>\$ 6,915,064</b>	<b>\$ 262,859</b>	<b>\$ 7,177,923</b>	<b>\$ (125,591)</b>	

The accompanying notes are an integral part of the basic financial statements.

***Statement of Cash Flows - Proprietary Funds*****Year Ended June 30, 2017**

	Proprietary Fund Types			Internal Service Fund
	Sewer Operation	Solid Waste	Total	
<b>Cash flows from operating activities</b>				
Received from customers and users	\$ 1,875,695	\$ 823,965	\$ 2,699,660	\$ 704,195
Payments to suppliers for goods and services	(429,584)	(700,292)	(1,129,876)	(450,159)
Payments to employees	(306,918)	(89,583)	(396,501)	(254,036)
<b>Net cash provided by operating activities</b>	<b>1,139,193</b>	<b>34,090</b>	<b>1,173,283</b>	<b>-</b>
<b>Cash flows from noncapital financing activities</b>				
Transfers to other funds	(150,000)	(45,833)	(195,833)	-
<b>Cash flows from capital and related financing activities</b>				
Principal paid on capital debt	(445,000)	-	(445,000)	-
Sewer availability fees	333,000	-	333,000	-
Interest paid on capital debt	(262,071)	-	(262,071)	-
Acquisition and construction of capital assets	(50,957)	-	(50,957)	-
<b>Net cash used in capital and related financing activities</b>	<b>(425,028)</b>	<b>-</b>	<b>(425,028)</b>	<b>-</b>
<b>Cash flows from investing activities</b>				
Interest received	35,973	-	35,973	-
<b>Net increase (decrease) in cash and investments</b>	<b>600,138</b>	<b>(11,743)</b>	<b>588,395</b>	<b>-</b>
<b>Cash and investments, beginning of year</b>	<b>1,788,508</b>	<b>182,937</b>	<b>1,971,445</b>	<b>-</b>
<b>Cash and investments, end of year</b>	<b>\$ 2,388,646</b>	<b>\$ 171,194</b>	<b>\$ 2,559,840</b>	<b>\$ -</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 612,068	\$ 13,715	\$ 625,783	\$ 8,510
Adjustments				
Depreciation and amortization	636,265	12,963	649,228	1,991
Pension expense	(2,851)	(2,025)	(4,876)	(8,483)
Changes in assets and liabilities				
Receivables, net	19,772	4,040	23,812	(129)
Inventories	-	1,110	1,110	6,799
Accounts payable and accrued liabilities	(129,650)	3,697	(125,953)	(12,499)
Accrued compensated absences	4,010	(165)	3,845	2,065
Accrued payroll	(2,355)	242	(2,113)	246
Other postemployment benefits obligation	1,934	513	2,447	1,500
<b>Net cash provided by operating activities</b>	<b>\$ 1,139,193</b>	<b>\$ 34,090</b>	<b>\$ 1,173,283</b>	<b>\$ -</b>

The accompanying notes are an integral part of the basic financial statements.

***Statement of Fiduciary Assets and Liabilities***

---

---

**June 30, 2017**

---

	<u>Assets</u>	<u>Liabilities</u>
Cash and cash equivalents	\$ 17,684	
Amounts held in trust for library building		<u>\$ 17,684</u>

The accompanying notes are an integral part of the basic financial statements.

**Combining Statement of Net Position - Component Units****June 30, 2017**

	Poquoson Public Schools	Economic Development Authority	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,462,468	\$ 20,918	\$ 2,483,386
Restricted cash and cash equivalents	208,612	-	208,612
Accounts receivable	-	11,475	11,475
Due from other governments	335,745	-	335,745
Inventory	26,149	-	26,149
Other postemployment benefit asset	46,661	-	46,661
Capital assets			
Non-depreciable	450,876	2,492,161	2,943,037
Depreciable, net	5,018,459	123,852	5,142,311
<b>Total assets</b>	<b>8,548,970</b>	<b>2,648,406</b>	<b>11,197,376</b>
<b>Deferred Outflows of Resources</b>			
Employer contributions subsequent to the measurement date	1,708,584	-	1,708,584
Net difference between projected and actual earnings on pension plan investments	1,213,000	-	1,213,000
Net difference between expected and actual experience	32,000	-	32,000
<b>Total deferred outflows of resources</b>	<b>2,953,584</b>	<b>-</b>	<b>2,953,584</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 11,502,554</b>	<b>\$ 2,648,406</b>	<b>\$ 14,150,960</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 2,387,440	\$ 25,018	\$ 2,412,458
Accrued interest	-	14,087	14,087
Due to primary government	46,533	1,709,587	1,756,120
Noncurrent liabilities			
Due within one year	78,721	-	78,721
Due in more than one year	296,140	-	296,140
Net pension liability	20,854,000	-	20,854,000
<b>Total liabilities</b>	<b>23,662,834</b>	<b>1,748,692</b>	<b>25,411,526</b>
<b>Deferred Inflows of Resources</b>			
Net differences between expected and actual experience	661,000	-	661,000
Deferred pension proportionate share of contributions	246,000	-	246,000
<b>Total deferred inflows of resources</b>	<b>907,000</b>	<b>-</b>	<b>907,000</b>
<b>Net Position</b>			
Net investment in capital assets	5,469,335	906,426	6,375,761
Restricted	208,612	-	208,612
Unrestricted (deficit)	(18,745,227)	(6,712)	(18,751,939)
<b>Total net position (deficit)</b>	<b>(13,067,280)</b>	<b>899,714</b>	<b>(12,167,566)</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 11,502,554</b>	<b>\$ 2,648,406</b>	<b>\$ 14,150,960</b>

The accompanying notes are an integral part of the basic financial statements.

**Combining Statement of Activities - Component Units****Year Ended June 30, 2017**

							Net Revenues (Expenses) and	
	Program Revenues			Changes in Net Position				
	Charges for Expenses	Operating Services	Grants and Contributions	Capital Contributions	Poquoson Public Schools	Economic Development Authority	Total	
<b>Poquoson Public Schools</b>								
Education	\$ 22,691,882	\$ 759,549	\$ 10,025,446	\$ -	\$ (11,906,887)	\$ -	-	\$ (11,906,887)
<b>Economic Development Authority</b>								
Economic Development	82,428	24,972	-	-	-	(57,456)	-	(57,456)
<b>Total component units</b>	<b>\$ 22,774,310</b>	<b>\$ 784,521</b>	<b>\$ 10,025,446</b>	<b>\$ -</b>	<b>(11,906,887)</b>	<b>(57,456)</b>	<b>(11,964,343)</b>	
<b>General revenues</b>								
Sales tax				2,284,844	-	2,284,844		
City of Poquoson				9,738,170	-	9,738,170		
<b>Total general revenues</b>				<b>12,023,014</b>	<b>-</b>	<b>12,023,014</b>		
<b>Change in net position</b>								
<b>Net position, beginning of year</b>				116,127	(57,456)	58,671		
<b>Net position, end of year</b>				<b>(13,183,407)</b>	<b>957,170</b>	<b>(12,226,237)</b>		
				<b>\$ (13,067,280)</b>	<b>\$ 899,714</b>	<b>\$ (12,167,566)</b>		

The accompanying notes are an integral part of the basic financial statements.

*This page left blank intentionally*

# ***City of Poquoson, Virginia***

## ***Notes to Basic Financial Statements***

---

**June 30, 2017**

---

### **1. Summary of Significant Accounting Policies**

The accounting policies of the City of Poquoson, Virginia (City) and its component units conform to GAAP (GAAP) as applicable to government units. The following is a summary of the more significant accounting policies:

#### **Financial Reporting Entity**

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. Certain municipal functions continue to be shared with York County to include 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 GAAP established by the Governmental Accounting Standards Board (GASB) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. As required by those principles, these financial statements present the City of Poquoson, Virginia (Primary Government) and its discretely presented component units, the City of Poquoson School Board (School Board), 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).

The School Board is responsible for elementary and secondary education in the City. The members of the School Board are appointed by the City Council. The School Board 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 School Board facilities and to provide funding for the operations. Therefore, the School Board 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, the School Board 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. The School Board does not issue separate financial statements.

The Economic Development Authority 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. 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 15, Related Party Transactions, are excluded from the City's Comprehensive Annual Financial Report as the City does not have financial accountability over their activities.

## 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.

### 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 financial statements. The agency fund financial statements have no measurement focus. 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 so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

## 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 School Board capital assets, other than those financed by proprietary funds.

The City reports the following major proprietary 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 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 School Board departments and/or other governmental units on a cost-reimbursement basis.

Additionally, the City reports the following fiduciary Fund type:

The *Fiduciary Fund* is used to account for assets held by the City as an agent for a private organization. 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. The Fiduciary Fund type consists of the Agency Fund that 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## 1. Summary of Significant Accounting Policies (*Continued*)

### **Component Unit – Economic Development Authority**

The Economic Development Authority, a legally separate organization, was established under the Industrial Development and Revenue Bond Act of the *Code of Virginia* and ordinances adopted by the City Council. City Council also appoints the EDA Board. The EDA is responsible for promoting industry and developing trade by inducing private enterprises to remain or relocate in the City. Its income is derived from appropriations from the City, fees and land sales, and rental of property. The EDA does not issue separate financial statements and, consequently, has been included in the financial statements as a component unit.

### **Budgeting and Budgetary Accounting**

Budgets are employed by the Primary Government as a financial control device for the General Fund, Debt Service Fund, Capital Projects 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. Therefore, the Debt Service Fund, Capital Projects, and Proprietary Funds are not included in the budget and actual comparisons.

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

For the School Board 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.

Budgets are adopted on a basis consistent with GAAP except that 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, 2017, for an increase in appropriations in the amount of \$592,510 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.

### **Cash and Investments**

For purposes of the statements of cash flows for all proprietary fund types, 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), VACo/VML Virginia Investment Pool, federal government obligations, money market funds, 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.

## 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, 2017, 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 Special Revenue Fund of the School Board consist principally of items held for resale and are valued at cost (first-in, first-out method). Inventory in the Fleet Management Fund (Internal Service Fund) consists of supplies held for future use and is valued at average cost (weighted average 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 fund's basis and the government-wide basis. For assets constructed, interest expense is capitalized on proprietary fund type assets financed with tax-exempt debt. The amount of interest expense capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project against interest income earned on invested proceeds over the same period.

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 their acquisition value. Assets acquired under capital leases are capitalized at the net present value of all lease payments.

The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Buildings	40
Infrastructure	20 - 50
Machinery and equipment	3 - 50
Land improvements	10 - 50
Sewer System	40

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.

### Deferred Outflows and Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to future period and will not be recognized as an expense or an expenditure until that time. In addition to liabilities, the financial statements will sometimes provide a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as revenue until that time.

## 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. 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).

The Component Unit - School Board also accrues compensated absences (annual and sick leave benefits) when vested. The current and noncurrent portions of the compensated absences are recorded in the Component Unit - School Board government-wide financial statements.

### 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 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 City Council. The committed amounts cannot be used for any purpose unless 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 or 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 City's policy is to apply expenditures against restricted resources first when either restricted or unrestricted amounts are available. Within unrestricted fund balance, it is the City's policy to apply expenditures against committed amounts first, followed by assigned, and then unassigned amounts. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable and restricted amounts exceed the positive fund balance for that fund.

## 1. Summary of Significant Accounting Policies (*Concluded*)

### **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 are classified as net investment in capital assets, restricted and unrestricted. Restricted net position represent 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.

For all other governmental funds, any positive residual fund balances that are neither nonspendable, restricted or committed are considered to be assigned for the purposes of the respective funds. Therefore, with the exception of the General Fund, assigned fund balance is the residual fund balance classification for all governmental funds with positive balances.

### **Sewer Availability Fees**

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

### **Estimates**

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

### **Credit Risk**

The assessed value of real estate for the City's ten largest taxpayers comprises 3.28% 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.

## 2. Deposits and Investments

### **Deposits**

Deposits with banks are collateralized in accordance with the Virginia Security for Public Deposits Act, Section 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 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.

## 2. Deposits and Investments

### Deposits (*Continued*)

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 that there will be no loss of public funds and that makes the pool similar to depository insurance.

At June 30, 2017, no balances of the Primary Government or School Board were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

### 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 State Treasurer's Local Government Investment Pool (LGIP). LGIP is managed in accordance with the "2a-7 like pool" risk limiting requirements of 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, 2017, the City had \$610,105 invested in the State Non-Arbitrage Program (SNAP). The SNAP fund values portfolio securities by the amortized cost method in accordance with 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 market 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 deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, and the State Treasurer's Local Government Investment Pool.

## 2. **Deposits and Investments (Continued)**

### **Investment Policy (Continued)**

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:

Commonwealth of Virginia LGIP	100% 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
Bank Deposits	15% 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 twelve 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 that commercial paper 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 short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investor Service.

## 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 by Standard & Poor's.

### **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 counter party, 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, 2017, 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.

## 2. Deposits and Investments (Concluded)

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

	Investment Maturities (in years)		
	Less Than		
	Total	1 Year	1 - 3 Years
Virginia LGIP	\$ 167,218	\$ 167,218	\$ -
Municipal Securities	385,000	385,000	-
SNAP	610,105	-	610,105
Total investments	1,162,323	\$ 552,218	\$ 610,105

*Reconciliation to total cash and investments:*

Add:

Cash on hand and in banks 11,514,819

Total cash and investments 12,677,142

Less:

Cash held in fiduciary funds 17,684

Total cash and investments, Exhibit A, 12,694,826

Primary Government and Component Units \$ 12,694,826

### Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are inputs other than quoted prices that are observable directly or indirectly. Level 3 inputs are unobservable inputs. The City has the following fair value measurements as of June 30, 2017:

Investments - At Fair Value	June 30, 2017	(Level 1)	(Level 2)	(Level 3)
Municipal securities	\$ 385,000	\$ 385,000	\$ -	\$ -

### 3. **Receivables**

Real estate taxes are levied based on the assessed value of the property on each July 1 and attach 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 5th and June 5th. The City bills and collects its own property taxes.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Real estate taxes	\$ 367,155	\$ -	\$ 367,155
Personal property taxes	354,137	-	354,137
Accounts receivable	41,570	353,344	394,914
	762,862	353,344	1,116,206
Less - allowance for uncollectible accounts	(305,000)	-	(305,000)
Receivables, net	<u>\$ 457,862</u>	<u>\$ 353,344</u>	<u>\$ 811,206</u>

### 4. **Notes Receivable**

A \$100,000 note receivable in the General Fund and Governmental Activities represents a deed of trust note to a business for relocation expenses. As an incentive to move to the City, the City advanced the business moving expenses. The \$100,000 note bears interest at 6%. Principal payments of \$20,000 plus accrued interest began on December 31, 2015 and payable on December 31<sup>st</sup> of each year thereafter until December 31, 2019, when paid in full. However, the principal and interest payments will be forgiven each year if the business meets the conditions outlined in the agreement. As of June 30, 2017, the balance was \$80,000 and the City has granted the business an extension on the first payment.

A note receivable of \$192,279 in the General Fund and Governmental Activities represents a deed of trust note to Poquoson Historical and Cultural Museum Foundation. The \$192,279 note bears interest at 7.25%. Beginning June 1, 2009, interest only is due and payable each June 1 and December 1 thereafter. In all events, the accrued interest and unpaid principal is due in full on December 1, 2018. As of June 30, 2017, the balance was \$57,681.

The City also has a \$1,709,587 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 Note 8). 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. The note receivable is included in "Notes receivable, component unit" in the Statement of Net Position and the General Fund.

## 5. Due From Other Governments

Due from other governments consists of the following:

### Primary Government

	<b>General Fund</b>
<b>Commonwealth of Virginia</b>	
Communications Sales and Use Tax	\$ 32,401
Compensation Board	18,597
Children Services Act	61,749
Division of Motor Vehicles	12,192
HMGP Grant	112,253
Meals Tax	68,744
PPTRA	884,118
Recordation Tax	13,367
Sales Tax	52,907
Total due from the Commonwealth of Virginia	<u>1,256,328</u>

### Federal Government

DUI Grants - Selective Enforcement - Alcohol	1,327
DUI Grants - Selective Enforcement - Speed	2,378
FEMA Planning Grant (LEMPG)	7,500
FEMA Public Assistance	1,425
HMGP Grant	420,948
Plum Tree Island	3,090
TEA 21 Tom Hunt Store	5,243
Total due from the federal government	<u>441,911</u>
Total due from other governments	<u>\$ 1,698,239</u>

**5. Due From Other Governments (Continued)**

**Component Unit - School Board**

**Commonwealth of Virginia**

Sales Tax	\$ 188,989
Technology Reimbursement	255
Total due from the Commonwealth of Virginia	<u>189,244</u>

**Federal Government**

Department of Education Program	
Title I	19,940
Title VI-B	96,451
Various Grants	<u>30,110</u>
Total due from the federal government	<u>146,501</u>
Total due from the other governments	<u>\$ 335,745</u>

**6. Receivables and Payables - Component Units**

Details of the receivables and payables between the Primary Government and component units at June 30, 2017 are as follows:

<b>Primary Government Receivable</b>	<b>Component Unit Payable</b>	<b>Amount</b>
Due from EDA	Due to Primary Government	\$ 1,709,587
Due from School Board	Due to Primary Government	46,533
Total		<u>\$ 1,756,120</u>

See "Note 4, Notes Receivable" for more information regarding the EDA's \$1,709,587 due to the City.

## 7. Capital Assets

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

	<b>Balance July 1, 2016</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2017</b>
Capital assets, non-depreciable				
Land	\$ 3,241,092	\$ -	\$ -	\$ 3,241,092
Construction in progress	291,275	801,629	407,778	685,126
Total capital assets, non-depreciable	<u>3,532,367</u>	<u>801,629</u>	<u>407,778</u>	<u>3,926,218</u>
Capital assets, depreciable				
Buildings	10,714,409	101,605	75,977	10,740,037
Infrastructure	40,384,319	-	-	40,384,319
Land improvements	3,477,048	305,329	-	3,782,377
Machinery and equipment	7,793,383	431,860	171,981	8,053,262
Total capital assets, depreciable	<u>62,369,159</u>	<u>838,794</u>	<u>247,958</u>	<u>62,959,995</u>
Less - accumulated depreciation				
Buildings	4,915,398	361,005	-	5,276,403
Infrastructure	32,667,612	174,163	-	32,841,775
Land improvements	1,968,614	170,264	-	2,138,878
Machinery and equipment	5,664,001	411,199	169,160	5,906,040
Total accumulated depreciation	<u>45,215,625</u>	<u>1,116,631</u>	<u>169,160</u>	<u>46,163,096</u>
Total capital assets, depreciable, net before allocation from School Board	<u>17,153,534</u>	<u>(277,837)</u>	<u>78,798</u>	<u>16,796,899</u>
Allocation of School Board assets				
Buildings	28,387,760	75,977	-	28,463,737
Less - accumulated depreciation				
Buildings	5,997,541	696,765	-	6,694,306
Total allocated from School Board	<u>22,390,219</u>	<u>(620,788)</u>	<u>-</u>	<u>21,769,431</u>
Total capital assets, depreciable	<u>39,543,753</u>	<u>(898,625)</u>	<u>78,798</u>	<u>38,566,330</u>
Total capital assets	<u>\$ 43,076,120</u>	<u>\$ (96,996)</u>	<u>\$ 486,576</u>	<u>\$ 42,492,548</u>

Depreciation was charged to governmental functions as follows:

General government administration	\$ 35,523
Public safety	312,964
Public works	248,752
Health and welfare	5,116
Parks, recreation, and cultural	511,745
Community development	2,531
Education	<u>696,765</u>
	<u>\$ 1,813,396</u>

## 7. Capital Assets (*Continued*)

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

	Balance July 1, 2016	Increase	Decrease	Balance June 30, 2017
Capital assets, non-depreciable				
Land	\$ 214,666	\$ -	\$ -	\$ 214,666
Construction in progress	150,144	2,500	122,479	30,165
Total capital assets, non-depreciable	<u>364,810</u>	<u>2,500</u>	<u>122,479</u>	<u>244,831</u>
Capital assets, depreciable				
Buildings	86,403	-	-	86,403
Machinery and equipment	1,351,932	-	6,383	1,345,549
Sewer system	22,229,878	170,936	-	22,400,814
Total capital assets, depreciable	<u>23,668,213</u>	<u>170,936</u>	<u>6,383</u>	<u>23,832,766</u>
Less - accumulated depreciation				
Buildings	13,134	3,974	-	17,108
Machinery and equipment	980,890	65,361	6,383	1,039,868
Sewer system	11,108,179	579,893	-	11,688,072
Total accumulated depreciation	<u>12,102,203</u>	<u>649,228</u>	<u>6,383</u>	<u>12,745,048</u>
Total capital assets, depreciable, net	<u>11,566,010</u>	<u>(478,292)</u>	<u>-</u>	<u>11,087,718</u>
Total	<u>\$ 11,930,820</u>	<u>\$ (475,792)</u>	<u>\$ 122,479</u>	<u>\$ 11,332,549</u>

## 7. Capital Assets (Concluded)

A summary of changes in capital assets for the Component Unit - School Board follows:

	<b>Balance</b> <b>June 30,</b> <b>2016</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance</b> <b>June 30,</b> <b>2017</b>
Capital assets, non-depreciable				
Land	\$ 450,876	\$ -	\$ -	\$ 450,876
Capital assets, depreciable				
Buildings	39,930,477	143,445	-	40,073,922
Machinery and equipment	2,869,984	266,941	72,377	3,064,548
Total capital assets, depreciable	<u>42,800,461</u>	<u>410,386</u>	<u>72,377</u>	<u>43,138,470</u>
Less - accumulated depreciation				
Buildings	13,426,802	934,500	-	14,361,302
Machinery and equipment	1,851,858	199,917	62,497	1,989,278
Total accumulated depreciation	<u>15,278,660</u>	<u>1,134,417</u>	<u>62,497</u>	<u>16,350,580</u>
Capital assets, depreciable, net, before allocation to City	27,521,801	(724,031)	9,880	26,787,890
Allocation to City				
Buildings	28,387,760	75,977	-	28,463,737
Less - accumulated depreciation	5,997,541	696,765	-	6,694,306
Total allocated to City	<u>22,390,219</u>	<u>(620,788)</u>	<u>-</u>	<u>21,769,431</u>
Total capital assets, depreciable, net	<u>5,131,582</u>	<u>(103,243)</u>	<u>9,880</u>	<u>5,018,459</u>
Total	<u>\$ 5,582,458</u>	<u>\$ (103,243)</u>	<u>\$ 9,880</u>	<u>\$ 5,469,335</u>

A summary of the changes in capital assets for the Economic Development Authority is as follows:

	<b>Balance</b> <b>July 1,</b> <b>2016</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance</b> <b>June 30,</b> <b>2017</b>
Capital assets, non-depreciable				
Land	\$ 2,492,161	\$ -	\$ -	\$ 2,492,161
Capital assets, depreciable				
Buildings	69,147	-	-	69,147
Infrastructure	315,273	-	-	315,273
Total capital assets, depreciable	<u>384,420</u>	<u>-</u>	<u>-</u>	<u>384,420</u>
Less - accumulated depreciation				
Buildings	56,480	3,457	-	59,937
Infrastructure	186,300	14,331	-	200,631
Total accumulated depreciation	<u>242,780</u>	<u>17,788</u>	<u>-</u>	<u>260,568</u>
Total capital assets, depreciable, net	<u>141,640</u>	<u>(17,788)</u>	<u>-</u>	<u>123,852</u>
Total	<u>\$ 2,633,801</u>	<u>\$ (17,788)</u>	<u>\$ -</u>	<u>\$ 2,616,013</u>

## 8. Long-term Obligations

### Governmental Activities

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

	Balance			Balance June 30, 2017	Amounts Due Within One Year		
	July 1,		Decrease				
	2016	Increase					
General obligation bonds	\$ 25,104,587	\$ -	\$ 1,685,001	\$ 23,419,586	\$ 1,685,000		
Unamortized premium	4,168,737	-	305,468	3,863,269	305,468		
	29,273,324	-	1,990,469	27,282,855	1,990,468		
Capital lease obligations	-	161,868	34,644	127,224	30,125		
State Literary Fund loans	750,000	-	250,000	500,000	250,000		
	30,023,324	161,868	2,275,113	27,910,079	2,270,593		
Net pension liability	2,734,397	776,404	-	3,510,801	-		
Net postemployment benefit obligation	356,332	53,576	-	409,908	-		
Accrued compensated absences	656,872	780,334	741,627	695,579	69,558		
Total	\$ 33,770,925	\$ 1,772,182	\$ 3,016,740	\$ 32,526,367	\$ 2,340,151		

### Component Unit - School Board

Net pension liability	\$ 18,802,000	\$ 2,052,000	\$ -	\$ 20,854,000	\$ -
Net other postemployment obligation (asset)	56,678	-	103,339	(46,661)	-
Accrued compensated absences	382,532	528,776	536,447	374,861	78,721

The net pension liabilities, OPEB obligations 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).

8. **Long-term Obligations (Continued)**

**Governmental Activities (Continued)**

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

<b>High School Serial Bonds of 1998</b> - \$650,000 bonds issued and due in annual installments varying from \$30,000 to \$35,000 through July 2018, with interest payable semi-annually at rates varying from 3.60% to 5.10%.	\$ 60,000
<b>General Obligation Refunding Bonds, Series 2010</b> - \$4,670,000 bonds issued and due in annual installments varying from \$100,000 to \$665,000 beginning February 2014 through February 2027, with interest paid semi-annually at 4.28%.	975,000
<b>General Obligation Refunding Bonds, Series 2010</b> - \$6,600,000 bonds issued and due in annual installments varying from \$140,000 to \$1,015,000 beginning February 2014 through February 2027, with interest paid semi-annually at 4.35%.	670,000
<b>General Obligation Refunding Bonds, Series 2010</b> - \$3,900,000 bonds issued and due in annual installments varying from \$45,000 to \$580,000 beginning February 2014 through February 2027, with interest paid semi-annually at 4.49%.	155,000
<b>General Obligation Refunding Bonds, Series 2012</b> - \$8,165,000 bonds issued and due in annual installments varying from \$35,000 to \$1,030,000 beginning February 2013 through February 2028, with interest payable semi-annually at rates from 2% to 5%.	5,264,999
<b>General Obligation Bonds, Series 2013</b> - \$1,734,000 bonds issued and due in annual installments varying from \$157,000 to \$191,000 beginning August 2018 through August 2027, with interest payable semi-annually at 2.23%.	1,684,587
<b>General Obligation Bonds, Series 2016</b> - \$14,830,000 bonds issued and due in annual installments varying from \$40,000 to \$2,245,000 beginning February 15 through February 2031, with interest payable semi-annually at rates from 2% to 5%.	<u>14,610,000</u>
	<u>\$ 23,419,586</u>

## 8. Long-term Obligations (*Continued*)

### Governmental Activities (*Continued*)

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

	Principal	Interest
2018	\$ 1,685,000	\$ 1,021,939
2019	1,922,000	948,683
2020	2,250,001	867,434
2021	2,219,000	765,922
2022	2,322,000	659,481
2023 - 2027	12,239,998	1,596,185
2028 - 2031	781,587	27,330
	<u><u>\$ 23,419,586</u></u>	<u><u>\$ 5,886,974</u></u>

### Capital Leases

In March 2017, the City of Poquoson entered into a capital lease to purchase equipment, which was capitalized at a cost of \$161,868. At June 30, 2017, accumulated depreciation under this lease totaled \$5,396. The balance of this lease as of June 30, 2017 was \$127,224. Future minimum lease payments under capital lease and present value of the minimum lease payments are as follows:

2018	\$ 34,644
2019	34,644
2020	34,644
2021	34,644
Total minimum lease payments	<u><u>\$ 138,576</u></u>
Less - imputed interest	<u><u>(11,352)</u></u>
	127,224
Less - current portion	<u><u>30,125</u></u>
Long-term portion	<u><u>\$ 97,099</u></u>

### Literary Loan Funds

Outstanding literary loan funds of the Primary Government are comprised of the following issues:

**High School Literary Fund Loan** - \$5,000,000 loan issued November 17, 1998, due in annual installments of \$250,000 through December 2019, with interest at 3%. \$ 500,000

## 8. Long-term Obligations (*Continued*)

Estimated state literary fund loans debt service requirements to maturity is as follows:

	<b>Principal</b>	<b>Interest</b>
2018	\$ 250,000	\$ 15,000
2019	250,000	7,500
	<b>\$ 500,000</b>	<b>\$ 22,500</b>

### *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. As of June 30, 2017, the City's aggregate general obligation indebtedness was \$122,193,164 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:

	Balance July 1,				Balance June 30,	Amounts Due Within One Year
	2016	Increase	Decrease	2017		
General obligation bonds	\$ 6,855,000	\$ -	\$ 445,000	\$ 6,410,000	\$ 470,000	
Bond premium	519,457	-	50,150	469,307		50,150
	7,374,457	-	495,150	6,879,307		520,150
Net pension liability	108,603	36,919	-	145,522		-
Net postemployment benefit obligation	14,230	2,447	-	16,677		-
Accrued compensated absences	25,748	30,694	26,849	29,593		2,960
Total	\$ 7,523,038	\$ 70,060	\$ 521,999	\$ 7,071,099	\$ 523,110	

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

**General Obligation Refunding Sewer Bonds, Series 2010** - \$740,000 bonds issued and due in annual principal installments varying from \$10,000 to \$80,000 through April 2022 with interest payable semi-annually at rates varying from 2.2% to 5.2%. \$ 375,000

**General Obligation Refunding Sewer Bonds, Series 2012** - \$7,330,000 bonds issued and due in annual installments varying from \$150,000 to \$685,000 through February 2028, with interest payable semi-annually at rates from 3% to 5%. 6,035,000

---

\$ 6,410,000

## **8. Long-term Obligations (*Concluded*)**

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

	<b>Principal</b>	<b>Interest</b>
2018	\$ 470,000	\$ 240,068
2019	490,000	216,628
2020	515,000	192,183
2021	540,000	166,878
2022	565,000	140,774
2023 - 2027	3,145,000	391,500
2028 - 2031	685,000	20,550
	<hr/> <u>\$ 6,410,000</u>	<hr/> <u>\$ 1,368,581</u>

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.

## **9. Due to Primary Government, Component Unit - Economic Development Authority (EDA)**

As described in Notes 4 and 8 above, the City issued \$1,734,000 in general obligation bonds, and then loaned the proceeds to the EDA to repay a former bank line of credit. The balance due from the EDA was \$1,709,587 at June 30, 2017. 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.

## **10. Conduit Debt Obligation**

On September 12, 2005, the EDA issued \$5,000,000 YMCA Revenue Bonds to finance the acquisition and construction of the Peninsula Metropolitan YMCA (YMCA). On November 1, 2013, the EDA issued \$7,474,590 Christopher Newport University Student Housing Project Revenue Bonds to Christopher Newport University Education Foundation (Foundation), for the purpose of financing the construction and equipping of a student housing complex consisting of 5 buildings in Newport News, Virginia. 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 projects, all expenses of issuing the bonds, and the payments of bond principals and interest, are the responsibility of the YMCA, Christopher Newport University Education Foundation, and Beth Sholom, respectively. 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. At June 30, 2017, \$15,392,500 remained outstanding.

## 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.

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

	General	Debt Service	Capital Project	Total Governmental Funds
<b>Nonspendable</b>				
EDA note receivable	\$ 1,709,587	\$ -	\$ -	\$ 1,709,587
Notes receivable	137,681	-	-	137,681
<b>Total nonspendable</b>	<b>1,847,268</b>	<b>-</b>	<b>-</b>	<b>1,847,268</b>
<b>Restricted</b>				
Asset forfeiture	42,850	-	-	42,850
Other postemployment benefits	59,909	-	-	59,909
4 For Life	13,291	-	-	13,291
Fire Fund	106,336	-	-	106,336
Waterman's Memorial	19,536	-	-	19,536
Library donations	11,871	-	-	11,871
Wetland Creation	23,403	-	-	23,403
CDBG Program revenue	75,954	-	-	75,954
Capital Projects	-	-	1,644,469	1,644,469
<b>Total restricted</b>	<b>353,150</b>	<b>-</b>	<b>1,644,469</b>	<b>1,997,619</b>
<b>Assigned</b>				
Revenue Stabilization	600,000	-	-	600,000
General government and administration	43,816	-	-	43,816
Public safety and judicial	16,628	-	-	16,628
Public works	75,332	-	-	75,332
Parks, recreational, and cultural	31,248	-	-	31,248
Community development	1,295	-	-	1,295
Non-departmental	5,930	-	-	5,930
Subsequent year's budget	139,865	-	-	139,865
Debt service	-	422,584	-	422,584
Capital Projects	-	-	346,745	346,745
<b>Total assigned</b>	<b>914,114</b>	<b>422,584</b>	<b>346,745</b>	<b>1,683,443</b>
<b>Unassigned</b>				
<b>Total fund balances</b>	<b>\$ 7,473,351</b>	<b>\$ 422,584</b>	<b>\$ 1,991,214</b>	<b>\$ 9,887,149</b>

## 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 terms of the grant. In the opinion of 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's on certain employees of the Primary Government and component unit during the fiscal year ended June 30, 2017:

<b>Description</b>	<b>Amount</b>
Virginia Municipal Liability Pool - all City employees	
Employee Dishonesty Blanket Bond	\$ 1,000,000
Virginia Municipal Liability Pool	
Lenna Reimers, Clerk of the School Board	10,000
Antonia Fox, 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 Section 2.2-1840 of the *Code of Virginia*. The coverage with respect to the Treasurer does not extend to the loss of any City funds.

<b>Description</b>	<b>Amount</b>
Virginia Municipal Liability Pool - Surety, Faithful Performance of Duty Schedule, Position Bond	
Treasurer and employees	\$ 1,000,000
Commonwealth of Virginia Faithful Performance of Duty Bond	
Treasurer	500,000
Commissioner of the Revenue	3,000

### *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 as discussed in Note 14. 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 pools 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.

## 12. **Contingency (Continued)**

### ***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, 2017, the City's General Fund had outstanding encumbrances of \$174,249 and the Component Unit - School Board's General Fund had outstanding encumbrances of \$364,240.

While encumbrances do not constitute expenditures in accordance with accounting principles generally accepted in the United States of America, encumbrances outstanding at year-end do not lapse.

## 13. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2017 are as follows:

	<b>Tranfers In</b>	<b>Tranfers Out</b>
General Fund	\$ 195,833	\$ 3,021,155
Debt Service Fund	2,888,155	-
Capital Projects Fund	133,000	-
Sewer Operations Fund	-	150,000
Solid Waste Fund	-	45,833
	<hr/> <u>\$ 3,216,988</u>	<hr/> <u>\$ 3,216,988</u>

Purpose:

- \$ 2,888,155 From General Fund to Debt Service Fund for current year debt payments
- \$ 133,000 From General Fund to Capital Projects Fund to fund capital projects
- \$ 150,000 From Sewer Operations Fund to General Fund to allocate administration costs for sewer services
- \$ 45,833 From General Fund to Solid Waste Fund to allocate administration costs for the City's Solid Waste program

## 15. **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 the 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, 2017, the City provided support or paid for services to HRPDC of \$22,865, VPPSA of \$241,065, PCWD of \$5,847, and CBH of \$190,000.

## **15. Related Party Transactions (Continued)**

In June 2003, the Virginia Peninsula Regional Jail Authority (Jail Authority), of which the City is a member jurisdiction, issued \$21,655,000 of Regional Jail Facility Refunding Revenue Bonds, Series 2003. The original bonds were issued for the purpose of acquiring, constructing, and equipping a Regional Jail Facility to serve its member jurisdictions. The bonds bear interest at 2% to 5%, paid semi-annually. The bonds mature in amounts ranging from \$570,000 on October 1, 2003 to \$2,765,000 on October 1, 2018. The outstanding balance at June 30, 2017 was \$4,445,000. The bonds are limited obligations of the Jail Authority, and do not constitute a general obligation debt or pledge of the faith and credit of any of the four member jurisdictions, nor do they obligate any member jurisdiction to levy or pledge any form of taxation therefore. However, the City has entered into a non-binding moral obligation pledge of the member jurisdictions in which the member jurisdictions have agreed to pay their proportionate share of the debt service on the bonds and any debt service funding requirements if the Jail Authority lacks sufficient funds to do so. The City's proportionate share is 10%.

In addition, a conglomerate of municipalities shares certain expenses for maintaining and operating a regional jail and juvenile detention center. During FY 2017, the City incurred expenses for the regional jail and juvenile detention center of \$296,199 and \$1,920, respectively.

The City also participates in a regional animal shelter with several other localities. The City paid \$61,088 for its share in fiscal year 2017.

The City of Poquoson shares certain services and their associated costs with York County, including the Circuit Court, Commonwealth's attorney, Sheriff of York County, and E911 operations. The City also shares social services with York County. During the year ended June 30, 2017, the City paid \$1,036,778 to York County for these shared services.

The School Board's financial statements do not include the New Horizons Education Center. During the year ended June 30, 2017, the School Board provided support of \$568,586 to the New Horizons Education Center.

## **16. Retirement Plan**

### **A. Plan Description**

The City and School Board participate in agent multiple employer plans administered by the Virginia Retirement System (VRS). In addition, certain School Board employees participate in the VRS state-wide teachers' cost-sharing plan (VRS Teachers' Pool). All full-time, salaried permanent employees of public school divisions and employees of participating employers are automatically covered by the VRS Retirement Plan upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, based on specific criteria 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.

## 16. Retirement Plan (*Continued*)

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 set out in the table below:

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<b>About VRS Plan 1</b> VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	<b>About VRS Plan 2</b> VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	<b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<b>Eligible Members</b> Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	<b>Eligible Members</b> Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	<b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</li> </ul>
<b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	<b>Hybrid Opt-In Election</b> VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
<b>Retirement Contributions</b> Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution, but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	<b>Retirement Contributions</b> Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution, but all employees will be paying the full 5% by July 1, 2016.	<b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
<b>Creditable Service</b> Credible service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total credible service is one of the factors used to determine their	<b>Creditable Service</b> Same as VRS Plan 1.	<b>Creditable Service</b> <b>Defined Benefit Component:</b> Under the defined benefit component of the plan, credible service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>		<p>member was granted. A member's total credible service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contributions Component:</u></b> Under the defined contribution component, credible service is used to determine vesting for the employer contribution portion of the plan.</p>
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as VRS Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component:</u></b> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. <b><u>Defined Contributions Component:</u></b> Defined contribution vesting refers to minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of plan. Members are always 100% vested in contributions they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> <li>After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	<b>Calculating the Benefit</b> See definition under VRS Plan 1.	<b>Calculating the Benefit</b> <b>Defined Benefit Component:</b> See definition under VRS Plan 1
<b>Average Final Compensation</b> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	<b>Average Final Compensation</b> Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
<b>Service Retirement Multiplier</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%.	<b>Service Retirement Multiplier</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	<b>Service Retirement Multiplier</b> <b>Defined Benefit Component:</b> The retirement multiplier is 1.0%.  For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
<b>Sheriffs and Regional Jail Superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	<b>Sheriffs and Regional Jail Superintendents:</b> Same as Plan 1.	<b>Sheriffs and Regional Jail Superintendents:</b> Not applicable.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<b>Political Subdivision Hazardous Duty Employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.	<b>Political Subdivision Hazardous Duty Employees:</b> Same as Plan 1.	<b>Political Subdivision Hazardous Duty Employees:</b> Not applicable.  <b>Defined Contribution Component:</b> Not applicable.
<b>Normal Retirement Age VRS:</b> Age 65.  <b>Political Subdivisions Hazardous Duty Employees:</b> Age 60.	<b>Normal Retirement Age VRS:</b> Normal Social Security retirement age.  <b>Political Subdivisions Hazardous Duty Employees:</b> Same as Plan 1.	<b>Normal Retirement Age VRS:</b> <b>Defined Benefit Component:</b> Same as Plan 2. <b>Political Subdivisions Hazardous Duty Employees:</b> Not applicable.  <b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Earliest Unreduced Retirement Eligibility VRS:</b> Age 65 at least 5 years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.  <b>Political Subdivisions Hazardous Duty Employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	<b>Earliest Unreduced Retirement Eligibility VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.  <b>Political Subdivisions Hazardous Duty Employees:</b> Same as Plan 1.	<b>Earliest Unreduced Retirement Eligibility</b> <b>Defined Benefit Component:</b> <b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.  <b>Political Subdivisions Hazardous Duty Employees:</b> Not applicable.  <b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.  <b>Political Subdivisions Hazardous Duty Employees:</b> 50 with at least five years of creditable service.	<b>Earliest Reduced Retirement Eligibility</b>  <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.  <b>Political Subdivisions Hazardous Duty Employees:</b> Plan 1.	<b>Earliest Reduced Retirement Eligibility</b> <b>Defined Benefit Component:</b> <b>VRS:</b> As early as age 60 with at least five years (60 months) of creditable service.  <b>Political Subdivisions Hazardous Duty Employees:</b> Not applicable.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		<u><b>Defined Contribution Component:</b></u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	<b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	<b>Cost-of-Living Adjustment (COLA) in Retirement</b> <u><b>Defined Benefit Component:</b></u> Same as VRS Plan 2.
<u><b>Eligibility:</b></u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.  For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	<u><b>Eligibility:</b></u> Same as VRS Plan 1	<u><b>Eligibility:</b></u> Same as VRS Plan 1 and VRS Plan 2.
<u><b>Exceptions to COLA Effective Dates:</b></u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to</li> </ul>	<u><b>Exceptions to COLA Effective Dates:</b></u> Same as VRS Plan 1	<u><b>Exceptions to COLA Effective Dates:</b></u> Same as VRS Plan 1 and VRS Plan 2.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>retire under the Workforce Transition Act or the Transitional Benefits Program.</p> <ul style="list-style-type: none"> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>		
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>Virginia Sickness and Disability Program (VSDP) members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as VRS Plan 1.</p>	<p><b>Purchase of Prior Service</b> <b>Defined Benefit Component:</b> Same as VRS Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b>Defined Contribution Component:</b> Not applicable.</p>

## 16. Retirement Plan (*Continued*)

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### B. Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number	
	Primary Government*	Component Unit - School Board*
Inactive members of their beneficiaries currently receiving benefits	50	28
Inactive members:		
Vested	21	8
Non-vested	29	6
Active elsewhere in VRS	43	6
Total inactive members	93	20
Active members	119	27
Total covered employees	262	75

\*Agent multiple employer plan

### C. Contributions

The contribution 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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

## 16. Retirement Plan (*Continued*)

### C. Contributions (*Continued*)

#### **Agent Multiple Employer Plans**

The City's contractually required contribution rate for the year ended June 30, 2017 was 8.79% of covered employee compensation. The rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarial rate for the City's plan was 9.77%. This rate, 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. Contributions to the pension plan from the City were \$535,033 for the year ended June 30, 2017. The School Board's contractually required contribution rate for the year ended June 30, 2017 was 10.62% of covered employee compensation. The rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. This rate, 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. Contributions to the pension plan from the School Board were \$56,380 for the year ended June 30, 2017.

#### **Teachers' Cost-Sharing Plan**

The School Board's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of the June 30, 2015. The actuarially determined rate for the VRS Teachers' Pool was 16.32%. The actuarially determined rate, 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. Based on the provisions of Title 51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017.

Contributions to the pension plan from the School Board were \$1,652,204 for the year ended June 30, 2017.

### D. Net Pension Liability

#### **Agent Multiple Employer Plans**

The City and School Board's net pension liability, measured as of June 30, 2016, was \$3,656,323 and \$467,160, as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

#### **Teachers' Cost-Sharing Plan**

At June 30, 2017, the School Board reported a liability of \$20,387,000 for its proportionate share of the State-wide plan's net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the School Board's proportion was 0.14548% as compared to 0.14682% at June 30, 2015.

## 16. Retirement Plan (Continued)

### E. Actuarial Assumptions

The total pension liability for the plans were based on an actuarial valuations as of June 30, 2015, 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, 2016.

	General Employees	Public Safety	Teacher Plan
<b>Assumptions used in calculations:</b>			
Investment rate of return*	7.00%	7.00%	7.00%
Projected salary increases	3.50 – 5.35%	3.50 – 4.75%	3.50 – 5.95%
Includes inflation at	2.50%	2.50%	2.50%
Mortality rates: % of deaths to be service related	14.00%	60.00%	Not available
<b>Mortality tables:</b>			
Pre-retirement	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years.	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 2 years and females set back 2 years.	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 3 years and females set back 5 years.
Post-retirement	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years.
Post-disablement	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.
<b>Changes of assumptions:</b>			
The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. The following are the changes to the actuarial assumptions as a result of the experience study.	Updated mortality table Decrease in rates of service retirement Decrease in rates of disability retirement Reduced rate of salary increase by 0.25% per year	Updated mortality table Adjustments to rates of service retirement for females Increase in rates of withdrawal Decrease in male and female rates of disability	Updated mortality table Adjustments to rates of service retirement Decrease in rates of withdrawal for 3 through 9 years of service Decrease in rates of disability Reduced rate of salary increase by 0.25% per year

\*Investment rate of return is reflected net of pension plan investment expense, including inflation.

Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long- term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

## 16. Retirement Plan (*Continued*)

### F. Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which the best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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:

Assets Class (Strategy)	Target Allocation	Arithmetic	Weighted Average
		Long-term Expected	Long-term Expected
U.S. Equity	19.50%	6.46%	1.26%
Developed Non-U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		Expected arithmetic nominal return*	8.33%

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

### G. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Through the fiscal year ending June 30, 2018, the rate contributed by the School Board for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, the School Board is assumed 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**16. Retirement Plan (Continued)**

**H. Changes in Net Pension Liability**

The following tables represent the changes in net pension liability through the plan's measurement date of June 30, 2016 for the City and School Board, respectively.

<b>City Pension Plan:</b>	<b>Increase (Decrease)</b>		
	<b>Total</b>	<b>Plan Fiduciary</b>	<b>Net Pension</b>
	<b>Pension Liability</b>	<b>Net Position</b>	<b>Liability</b>
Balance, July 1, 2015	\$ 29,052,341	\$ 26,209,571	\$ 2,842,770
Changes for the year:			
Service cost	713,981	-	713,981
Interest	1,999,442	-	1,999,442
Difference between expected and actual experience	(413,719)	-	(413,719)
Contributions - employer	-	750,690	(750,690)
Contributions - employee	-	285,757	(285,757)
Net investment income	-	466,018	(466,018)
Benefit payments, including refunds of employee contributions	(977,768)	(977,768)	-
Administrative expense	-	(16,118)	16,118
Other changes	-	(196)	196
Net changes	1,321,936	508,383	813,553
Balance, June 30, 2016	\$ 30,374,277	\$ 26,717,954	\$ 3,656,323

<b>School Board Pension Plan (excluded Teacher Cost-Sharing Plan)</b>	<b>Increase (Decrease)</b>		
	<b>Total</b>	<b>Plan Fiduciary</b>	<b>Net Pension</b>
	<b>Pension Liability</b>	<b>Net Position</b>	<b>Liability</b>
Balance, July 1, 2015	\$ 2,253,578	\$ 1,930,547	\$ 323,031
Changes for the year:			
Service cost	59,525	-	59,525
Interest	152,141	-	152,141
Difference between expected and actual experience	51,061	-	51,061
Contributions - employer	-	62,751	(62,751)
Contributions - employee	-	24,934	(24,934)
Net investment income	-	32,149	(32,149)
Benefit payments, including refunds of employee contributions	(160,271)	(160,271)	-
Administrative expense	-	(1,222)	1,222
Other changes	-	(14)	14
Net changes	102,456	(41,673)	144,129
Balance, June 30, 2016	\$ 2,356,034	\$ 1,888,874	\$ 467,160

**16. Retirement Plan (Continued)**

**I. Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the net pension liability of the City, School Board, and Teacher Retirement Plan, calculated using the Plan's current discount rate, as well as what the respective plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
City's calculated net pension liability	\$ 7,564,230	\$ 3,656,323	\$ 402,780
School Board's calculated net pension liability	\$ 711,524	\$ 467,160	\$ 259,752
Teacher Retirement Plan's calculated pension liability	\$ 29,062,000	\$ 20,367,000	\$ 13,241,000

**J. Pension Expense and Deferred Outflows (Inflows) of Resources**

Pension expense recognized for the year ended June 30, 2017, and the reported deferred outflows and inflows of resources related to pensions at June 30, 2017, were as follows:

	<b>Primary Government</b>		<b>Component Unit - School Board</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Agent Multiple Plan</b>	<b>Teacher Cost-Sharing Plan</b>
	<b>\$ 293,293</b>	<b>\$ 12,156</b>	<b>\$ 86,000</b>	<b>\$ 1,681,000</b>
<b>Deferred Inflows:</b>				
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ -	\$ -	\$ -
Net difference between expected and actual experience	674,060	27,940	-	661,000
Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-	-	246,000
<b>Total Deferred Inflows</b>	<b>\$ 674,060</b>	<b>\$ 27,940</b>	<b>\$ -</b>	<b>\$ 907,000</b>
<b>Deferred Outflows:</b>				
Employer contributions subsequent to the measurement date	\$ 513,706	\$ 21,294	\$ 56,380	\$ 1,652,204
Net difference between projected and actual earnings on pension plan investments	657,736	27,264	48,000	1,165,000
Net difference between expected and actual experience	-	-	32,000	-
<b>Total Deferred Outflows</b>	<b>\$ 1,171,442</b>	<b>\$ 48,558</b>	<b>\$ 136,380</b>	<b>\$ 2,817,204</b>

**16. Retirement Plan (*Concluded*)**

**J. Pension Expense and Deferred Outflows/(Inflows) of Resources (*Continued*)**

Deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported in the deferred inflows of resources related pensions will be recognized in pension expense as follows:

<b>Years Ending June 30,</b>	<b>City</b>	<b>Component Unit - School Board</b>	
		<b>Agent Multiple Plan</b>	<b>Teacher Cost- Sharing Plan</b>
2018	\$ (302,000)	\$ 23,000	\$ (208,000)
2019	(280,000)	8,000	(208,000)
2020	291,000	29,000	448,000
2021	274,000	20,000	287,000
2022	-	-	(61,000)
	<b>\$ (17,000)</b>	<b>\$ 80,000</b>	<b>\$ 258,000</b>

**K. Payables to the Pension Plan**

At June 30, 2017, the City and School Board reported payables of \$77,861 and \$338,019, respectively, for the outstanding amount of contributions to the pension plan requested for the year ended June 30, 2017.

**17. Other Postemployment Benefit Obligation (OPEB)**

**Plan Description**

The City and School Board administer a single-employer defined benefit postemployment health care 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 5 years) equal to 70.

During the year, 131 employees were participating in the City's plan at a cost of \$74,338 and 295 employees were participating in the School Board's plan at a cost of \$33,085. Separate stand-alone statements are not issued for this plan.

**Funding Policy**

The City Council and the School Board have the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% - 100% of the premiums based on the retiree's years of continuous health care coverage and the health care option selected by the retirees. The employer contributions are financed based on a pay-as-you-go basis. During the fiscal year ended 2017, the City and School Board made contributions (credits) amounting to \$18,316 and \$136,424, respectively.

**17. Other Postemployment Benefit Obligation (OPEB) (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The City's and the School's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's and the School's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the net OPEB obligation:

	<b>City of Poquoson</b>	<b>Component Unit - School Board</b>
Annual required contribution	\$ 74,645	\$ 33,132
Interest on net OPEB obligation	14,822	2,267
Adjustment to ARC	<u>(15,129)</u>	<u>(2,314)</u>
Annual OPEB cost	<u>74,338</u>	<u>33,085</u>
Credit / (contributions made)	<u>(18,315)</u>	<u>(136,424)</u>
Increase (decrease) in net OPEB obligation	<u>56,023</u>	<u>(103,339)</u>
Net OPEB obligation - beginning of year	<u>370,562</u>	<u>56,678</u>
NET OPEB obligation (asset) - end of year	<u><u>\$ 426,585</u></u>	<u><u>\$ (46,661)</u></u>

The City's and the School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2016, and 2017 were as follows:

**City of Poquoson**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed/(Credited)</b>		<b>Net OPEB Obligation</b>
		<b>Contributed/(Credited)</b>	<b>Net OPEB Obligation</b>	
June 30, 2017	\$ 74,338	25%	\$ 426,584	
June 30, 2016	\$ 64,215	78%	\$ 370,562	
June 30, 2015	\$ 61,629	-3%	\$ 356,098	

**Component Unit - School Board**

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>		<b>Net OPEB Obligation (asset)</b>
		<b>Contributed</b>	<b>Net OPEB Obligation (asset)</b>	
June 30, 2017	\$ 33,085	412%	\$ (46,661)	
June 30, 2016	\$ 57,112	157%	\$ 56,678	
June 30, 2015	\$ 55,207	239%	\$ 89,181	

## 17. Other Postemployment Benefit Obligation (OPEB) (Continued)

### Funded Status and Funding Progress

Based on the most recent actuarial valuation for the fiscal year ended June 30, 2017, the funded status of the plan was as follows:

	<b>City of Poquoson</b>	<b>Component Unit - School Board</b>
Actuarial accrued liability (AAL)	\$ 836,287	\$ 290,136
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 836,287</u>	<u>\$ 290,136</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered payroll (active plan members)	\$ 7,033,793	\$ 12,043,641
UAAL as a percentage of covered payroll	11.89%	2.41%

### Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below as required supplementary information, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and the plan members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The OPEB liability was determined on the Projected Unit Credit cost actuarial method. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% rate of return on invested assets, which is the City's and the School Board's long-term expectation of investment returns under its investment policy. The actuarial assumptions also include a payroll growth rate of 2.5% per year, general inflation rate of 2.5% per year, and an annual healthcare cost trend rate of 7.5% initially for the year ended June 30, 2017, reduced annually by increments, to an ultimate rate of 5% for the fiscal year ending June 30, 2026. In calculating the fiscal year annual required contribution the initial unfunded actuarial accrued liability, actuarial gains and actuarial losses were amortized over an open 30-year period as a level percentage of projected payroll.

**17. Other Postemployment Benefit Obligation (OPEB) (Concluded)**

**Schedule of Funding Progress**

**City of Poquoson**

Actuarial Valuation Date	Accrued			Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered ((b-a)/c)
	Actuarial Value of Assets (a)	Liability Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)			
June 30, 2017	\$ -	\$ 836,287	\$ 836,287	0%	\$ 7,033,793	11.89%
June 30, 2016	\$ -	\$ 791,172	\$ 791,172	0%	\$ 6,705,875	11.80%
June 30, 2015	\$ -	\$ 890,702	\$ 890,702	0%	\$ 6,518,638	13.66%

**Component Unit - School Board**

Actuarial Valuation Date	Accrued			Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered ((b-a)/c)
	Actuarial Value of Assets (a)	Liability Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)			
June 30, 2017	\$ -	\$ 290,136	\$ 290,136	0%	\$ 12,043,641	2.41%
June 30, 2016	\$ -	\$ 311,524	\$ 311,524	0%	\$ 11,604,391	2.68%
June 30, 2015	\$ -	\$ 448,890	\$ 448,890	0%	\$ 11,373,696	3.95%

\* \* \* \* \*

*This page left blank intentionally*

*Required Supplementary Information*

**Budgetary Comparison Schedule - General Fund (Budget Basis)****Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Revenues and other financing sources</b>				
Revenue from local sources				
General property taxes				
Real property taxes	\$ 15,980,000	\$ 15,980,000	\$ 16,042,306	\$ 62,306
Public service corporation property taxes	216,140	216,140	222,993	6,853
Personal property	2,437,525	2,437,525	2,531,679	94,154
Penalties and interest	184,170	184,170	143,018	(41,152)
<b>Total general property taxes</b>	<b>18,817,835</b>	<b>18,817,835</b>	<b>18,939,996</b>	<b>122,161</b>
Other local taxes				
Sales and use taxes	1,052,480	1,052,480	1,024,576	(27,904)
Meals taxes	769,410	769,410	735,971	(33,439)
Cigarette taxes	95,000	95,000	102,758	7,758
Consumers' utility taxes	299,600	299,600	308,236	8,636
Consumption tax	44,440	44,440	39,631	(4,809)
Business license taxes	427,380	427,380	435,698	8,318
Bank stock taxes	38,000	38,000	40,129	2,129
Recordation and wills taxes	193,800	193,800	229,695	35,895
Deeds of conveyance	32,640	32,640	40,616	7,976
<b>Total other local taxes</b>	<b>2,952,750</b>	<b>2,952,750</b>	<b>2,957,310</b>	<b>4,560</b>
Permits, privilege fees, and regulatory licenses				
Animal license	5,200	5,200	5,232	32
Permits and other licenses	191,500	191,500	152,568	(38,932)
<b>Total permits, privilege fees, and regulatory licenses</b>	<b>196,700</b>	<b>196,700</b>	<b>157,800</b>	<b>(38,900)</b>
Fines and forfeitures				
	57,500	57,500	34,665	(22,835)
Revenue from use of money and property				
Revenue from use of money	10,000	10,000	52,286	42,286
Revenue from use of property	176,800	176,800	199,336	22,536
<b>Total revenue from use of money and property</b>	<b>186,800</b>	<b>186,800</b>	<b>251,622</b>	<b>64,822</b>

(Continued)

**Budgetary Comparison Schedule - General Fund (Budget Basis)****Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Revenues and other financing sources (Continued)</b>				
Charges for services				
Charges for sales of maps	-	-	25	25
Charges for copying	6,000	6,000	3,494	(2,506)
Charges for passport processing	50,000	50,000	61,543	11,543
Charges for library and fees	21,400	21,400	20,383	(1,017)
EMS revenue recovery	255,000	255,000	266,472	11,472
Charges for school grounds maintenance	45,000	45,000	3,655	(41,345)
Charges for Parks & Recreation programs	131,600	131,600	138,790	7,190
Charges for pool	71,250	71,250	57,422	(13,828)
Charges for Seafood Festival	142,940	155,840	138,039	(17,801)
<b>Total charges for services</b>	<b>723,190</b>	<b>736,090</b>	<b>689,823</b>	<b>(46,267)</b>
Miscellaneous revenue				
Miscellaneous	11,000	16,594	9,118	(7,476)
Miscellaneous grants	-	-	-	-
Donations - library	-	30,664	30,664	-
Gain on sale of capital assets	50,000	58,286	17,407	(40,879)
Donations	-	-	-	-
<b>Total miscellaneous revenue</b>	<b>61,000</b>	<b>117,282</b>	<b>68,927</b>	<b>(48,355)</b>
Intergovernmental				
Revenue from the Commonwealth				
Noncategorical aid				
DMV reimbursement	121,000	121,000	131,253	10,253
Mobile home titling taxes	12,000	12,000	6,478	(5,522)
Personal property tax relief	1,923,435	1,923,435	1,923,431	(4)
<b>Total noncategorical aid</b>	<b>2,056,435</b>	<b>2,056,435</b>	<b>2,061,162</b>	<b>4,727</b>
Categorical aid				
Shared expenses				
Commissioner of the Revenue	104,225	104,225	103,373	(852)
Treasurer	94,230	94,230	99,258	5,028
Registrar/Electoral Board	35,000	35,000	37,029	2,029
<b>Total categorical aid</b>	<b>233,455</b>	<b>233,455</b>	<b>239,660</b>	<b>6,205</b>

(Continued)

**Budgetary Comparison Schedule - General Fund (Budget Basis)****Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
<b>Revenues and other financing sources (Continued)</b>				
Other categorical aid				
State 599 police funds	240,710	240,710	240,712	2
Fire and EMS	46,815	51,586	40,128	(11,458)
Street and highway maintenance	880,000	880,000	880,394	394
Litter control	-	6,192	6,192	-
Library	144,998	144,998	144,976	(22)
Children's Services Act	172,500	260,500	279,406	18,906
State drug seizure	-	15,035	15,035	-
Other state grants	-	-	2,249	2,249
<b>Total other categorical aid</b>	<b>1,485,023</b>	<b>1,599,021</b>	<b>1,609,092</b>	<b>10,071</b>
<b>Total categorical aid</b>	<b>1,718,478</b>	<b>1,832,476</b>	<b>1,848,752</b>	<b>16,276</b>
<b>Total revenue from the Commonwealth</b>	<b>3,774,913</b>	<b>3,888,911</b>	<b>3,909,914</b>	<b>21,003</b>
Revenue from the federal government				
Federal grants	105,200	154,531	30,688	(123,843)
Miscellaneous	3,000	300	960	660
<b>Total revenue from the federal government</b>	<b>108,200</b>	<b>154,831</b>	<b>31,648</b>	<b>(123,183)</b>
Other financing sources				
Transfer from sewer fund	150,000	150,000	150,000	-
Transfer from solid waste	50,000	50,000	45,833	(4,167)
Transfer from unappropriated fund	162,230	522,229	-	(522,229)
<b>Total other financing uses</b>	<b>362,230</b>	<b>722,229</b>	<b>195,833</b>	<b>(526,396)</b>
<b>Total revenue and other financing sources</b>	<b>27,241,118</b>	<b>27,830,928</b>	<b>27,237,538</b>	<b>(593,390)</b>

(Continued)

**Budgetary Comparison Schedule - General Fund (Budget Basis)****Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
				Positive (Negative)
<b>Expenditures and other financing uses</b>				
General government administration				
Legislative - City Council	\$ 66,990	\$ 68,990	\$ 68,709	\$ 281
General and financial administration				
City Manager	458,920	467,920	459,250	8,670
Legal services	118,285	118,285	118,111	174
Independent auditor	49,000	49,000	41,076	7,924
Commissioner of the Revenue	296,140	296,140	296,879	(739)
Assessor/equalization board	192,596	192,596	191,738	858
Treasurer	327,676	327,676	323,590	4,086
Finance	407,302	407,302	402,138	5,164
Technology	95,200	114,200	114,857	(657)
Risk management	55,760	55,760	47,692	8,068
<b>Total general and financial administration</b>	<b>2,000,879</b>	<b>2,028,879</b>	<b>1,995,331</b>	<b>33,548</b>
Board of Elections - Electoral Board and Registrar	163,182	163,182	162,371	811
<b>Total general government administration</b>	<b>2,231,051</b>	<b>2,261,051</b>	<b>2,226,411</b>	<b>34,640</b>
Judicial Administration				
Courts	247,621	247,621	235,654	11,967
Sheriff	217,031	217,031	209,295	7,736
<b>Total judicial administration</b>	<b>464,652</b>	<b>464,652</b>	<b>444,949</b>	<b>19,703</b>
Public Safety				
Law enforcement and traffic control - police department	2,646,789	2,745,942	2,730,434	15,508
Fire and rescue services - fire department	2,905,078	3,102,585	2,902,319	200,266
Correction and detention - regional operated institutions	372,662	331,562	304,853	26,709
Inspections - various	299,063	299,063	278,133	20,930
Other protection - animal control	104,100	104,100	103,482	618
<b>Total public safety</b>	<b>6,327,692</b>	<b>6,583,252</b>	<b>6,319,221</b>	<b>264,031</b>

(Continued)

**Budgetary Comparison Schedule - General Fund (Budget Basis)****Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
				Positive (Negative)
<b>Expenditures and other financing uses (Continued)</b>				
Public works				
Maintenance of highways, streets, bridges, and sidewalks				
General engineering/administration	196,940	196,940	165,462	31,478
Highways, streets, bridges, and sidewalks	1,535,895	1,530,489	1,432,865	97,624
Street lights	82,000	88,000	87,112	888
<b>Total maintenance of highways, streets, bridges, and sidewalks</b>	<b>1,814,835</b>	<b>1,815,429</b>	<b>1,685,439</b>	<b>129,990</b>
Maintenance of general buildings and grounds	190,519	220,949	211,670	9,279
<b>Total public works</b>	<b>2,005,354</b>	<b>2,036,378</b>	<b>1,897,109</b>	<b>139,269</b>
Health and welfare				
Health				
Local health department	36,831	36,831	35,158	1,673
Mosquito control	231,701	242,701	242,363	338
<b>Total health</b>	<b>268,532</b>	<b>279,532</b>	<b>277,521</b>	<b>2,011</b>
Mental health and mental retardation - mental health	231,159	235,759	235,708	51
Welfare				
Social Services	277,870	365,870	277,836	88,034
Children Services Act	230,000	230,000	432,770	(202,770)
<b>Total welfare</b>	<b>507,870</b>	<b>595,870</b>	<b>710,606</b>	<b>(114,736)</b>
<b>Total health and welfare</b>	<b>1,007,561</b>	<b>1,111,161</b>	<b>1,223,835</b>	<b>(112,674)</b>
Education - School Board	9,740,403	9,767,527	9,738,170	29,357
<b>Total education</b>	<b>9,740,403</b>	<b>9,767,527</b>	<b>9,738,170</b>	<b>29,357</b>
Parks, recreation, and cultural				
Supervision of parks and recreation	447,270	447,270	443,119	4,151
Pool operations	126,800	129,842	128,979	863
Seafood Festival	210,468	223,368	214,695	8,673
Library - administration	855,198	895,245	858,646	36,599
<b>Total parks, recreation, and cultural</b>	<b>1,639,736</b>	<b>1,695,725</b>	<b>1,645,439</b>	<b>50,286</b>
Community development				
Planning	350,350	350,350	329,501	20,849
Economic development	146,281	131,793	114,337	17,456
Community development	136,923	158,584	157,968	616
<b>Total community development</b>	<b>633,554</b>	<b>640,727</b>	<b>601,806</b>	<b>38,921</b>
Nondepartmental				
Nondepartmental - miscellaneous	22,590	37,890	39,741	(1,851)
Department of Motor Vehicles Select	104,670	104,670	103,621	1,049
<b>Total nondepartmental</b>	<b>127,260</b>	<b>142,560</b>	<b>143,362</b>	<b>(802)</b>

(Continued)

**Budgetary Comparison Schedule - General Fund (Budget Basis)****Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
				Positive (Negative)
<b>Other Financing Uses</b>				
Transfers to Debt Service Fund	2,888,155	2,888,155	2,888,155	-
Transfers to Capital Projects Fund	173,000	183,000	133,000	50,000
<b>Total other financing uses</b>	<b>3,061,155</b>	<b>3,071,155</b>	<b>3,021,155</b>	<b>50,000</b>
<b>Total expenditures and other financing uses</b>	<b>27,238,418</b>	<b>27,774,188</b>	<b>27,261,457</b>	<b>512,731</b>
<b>Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses - budgetary basis</b>	<b>\$ 2,700</b>	<b>\$ 56,740</b>	<b>(23,919)</b>	<b>\$ (80,659)</b>
<b>Less - encumbrances outstanding June 30, 2016, actually expended as of June 30, 2017</b>			<b>(106,475)</b>	
<b>Add - encumbrances outstanding June 30, 2017</b>				<b>174,249</b>
The Grant and OPEB Fund are consolidated into the General Fund for reporting purposes:				
<b>Revenues:</b>				
Investment income				1
Miscellaneous				3,169
Local matching funds				78,064
State Grant				195,374
Federal Grant				740,745
<b>Total Revenue</b>				<b>1,017,353</b>
<b>Expenditures:</b>				
Community Development expenditures				<b>1,016,087</b>
<b>Excess (deficiency) of revenue and other financing sources over expenditures and other financing uses, GAAP basis</b>				<b>45,121</b>
<b>Fund balances, June 30, 2016</b>				<b>7,428,230</b>
<b>Fund balances, June 30, 2017</b>				<b>\$ 7,473,351</b>

*(Concluded)*

**Schedules of Changes in Net Pension Liability and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - City**

**Year Ended June 30, 2017**

	2017	2016	2015
<b>Schedule of Changes in Net Pension Liability and Related Ratios</b>			
<b>Total Pension Liability</b>			
Service cost	\$ 713,981	\$ 668,757	\$ 699,997
Interest	1,999,442	1,940,826	1,830,447
Difference between expected and actual experience	(413,719)	(806,075)	-
Benefit payments, including refunds of member contributions	(977,768)	(954,501)	(952,710)
<b>Net change in total pension liability</b>	<b>1,321,936</b>	<b>849,007</b>	<b>1,577,734</b>
Plan total pension liability - beginning	29,052,341	28,203,334	26,625,600
<b>Plan total pension liability - ending</b>	<b>\$30,374,277</b>	<b>\$29,052,341</b>	<b>\$28,203,334</b>
<b>Plan Fiduciary Net Pension</b>			
Contributions - employer	\$ 750,690	\$ 585,103	\$ 506,435
Contributions - employee	285,757	282,529	274,820
Net investment income	466,018	1,157,070	3,453,469
Benefit payments, including refunds of member contributions	(977,768)	(954,501)	(952,710)
Administrative expense	(16,118)	(15,704)	(18,572)
Other changes	(196)	(243)	199
<b>Net change in plan fiduciary net position</b>	<b>508,383</b>	<b>1,054,254</b>	<b>3,263,641</b>
Plan fiduciary net position - beginning	26,209,571	25,155,317	21,891,693
<b>Plan fiduciary net position - ending</b>	<b>\$26,717,954</b>	<b>\$26,209,571</b>	<b>\$25,155,334</b>
<b>Plan net pension liability - ending</b>	<b>\$ 3,656,323</b>	<b>\$ 2,842,770</b>	<b>\$ 3,048,000</b>
Plan fiduciary net position as a percentage of the total pension liability	87.96%	90.22%	89.19%
Covered-employee payroll	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974
Plan net position liability as a percentage of covered-employee payroll	60.07%	49.34%	53.65%

**Notes to Schedule:**

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

	<b>Schedule of Employer Contributions</b>		
Contractually required contribution	\$ 594,684	\$ 747,041	\$ 725,460
Contribution in relation to contractually required contribution	535,033	720,636	619,948
Contribution (deficiency)	<u>\$ (59,651)</u>	<u>\$ (26,405)</u>	<u>\$ (105,512)</u>
Covered-employee payroll	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974
Contributions as a percentage of covered-employee payroll	8.79%	12.51%	10.91%

**Notes to Schedule:**

Contractually required contributions are developed using the entry age normal actuarial cost method. There have been no changes to the benefit provisions since the prior actuarial valuation.

**Methods and Assumptions Used to Determine Contribution Rates (for the City for 2017, 2016, and 2015)**

Actuarial cost method:	Entry Age
Amortization method:	Level percent closed
Amortization period:	30 years
Asset valuation method:	5-year smoothed market
Inflation rate:	2.5%
Projected salary increases:	3.5%-5.35% per annum, compounded annually
Investment rate of return:	7.0% per annum, compounded annually

**NOTE:** GAAP requires 10-year trend information. As fiscal year 2015 was the year of implementation, additional years will be displayed as the information becomes available.

**Schedules of Changes in Net Pension Liability and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - School Board**

**Year Ended June 30, 2017**

	2017	2016	2015
<b>Schedule of Changes in Net Pension Liability and Related Ratios</b>			
<b>Total Pension Liability</b>			
Service cost	\$ 59,525	\$ 55,952	\$ 62,503
Interest	152,141	147,547	143,652
Difference between expected and actual experience	51,061	20,244	-
Benefit payments, including refunds of member contributions	(160,271)	(155,952)	(145,077)
<b>Net change in total pension liability</b>	<b>102,456</b>	<b>67,791</b>	<b>61,078</b>
Plan total pension liability - beginning	2,253,578	2,185,787	2,124,709
<b>Plan total pension liability - ending</b>	<b>\$ 2,356,034</b>	<b>\$ 2,253,578</b>	<b>\$ 2,185,787</b>
<b>Plan Fiduciary Net Pension</b>			
Contributions - employer	\$ 62,751	\$ 64,124	\$ 70,068
Contributions - employee	24,934	25,682	23,877
Net investment income	32,149	86,123	264,482
Benefit payments, including refunds of member contributions	(160,271)	(155,952)	(145,077)
Administrative expense	(1,222)	(1,229)	(1,455)
Other changes	(14)	(16)	(14)
<b>Net change in plan fiduciary net position</b>	<b>(41,673)</b>	<b>18,732</b>	<b>211,881</b>
Plan fiduciary net position - beginning	1,930,547	1,911,815	1,699,906
<b>Plan fiduciary net position - ending</b>	<b>\$ 1,888,874</b>	<b>\$ 1,930,547</b>	<b>\$ 1,911,787</b>
<b>Plan net pension liability - ending</b>	<b>\$ 467,160</b>	<b>\$ 323,031</b>	<b>\$ 274,000</b>
Plan fiduciary net position as a percentage of the total pension liability	80.17%	85.67%	87.46%
Covered-employee payroll	\$ 552,624	\$ 528,531	\$ 613,843
Plan net position liability as a percentage of covered-employee payroll	84.53%	61.12%	44.64%

**Notes to Schedule:**

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

	<b>Schedule of Employer Contributions</b>		
Contractually required contribution	\$ 56,380	\$ 64,333	\$ 66,869
Contribution in relation to contractually required contribution	56,380	64,333	66,869
Contribution excess	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 552,624	\$ 528,531	\$ 613,843
Contributions as a percentage of covered-employee payroll	10.20%	12.17%	10.89%

**Notes to Schedule:**

Contractually required contributions are developed using the entry age normal actuarial cost method. There have been no changes to the benefit provisions since the prior actuarial valuation.

**Methods and Assumptions Used to Determine Contribution Rates (for the School Board for 2017, 2016, and 2015)**

Actuarial cost method:	Entry Age
Amortization method:	Level percent closed
Amortization period:	30 years
Asset valuation method:	5-year smoothed market
Inflation rate:	2.5%
Projected salary increases:	3.5%-5.35% per annum, compounded annually
Investment rate of return:	7.0% per annum, compounded annually

**NOTE:** GAAP requires 10-year trend information. As fiscal year 2015 was the year of implementation, additional years will be displayed as the information becomes available.

**Schedules of Changes in School Board's Proportionate Share of the Net Pension Liability and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System Teachers' Pool**

**Year Ended June 30, 2017**

	2017	2016	2015
<b>Schedule of Proportionate Share of the Net Pension Liability</b>			
Proportionate percentage of the net pension liability	0.14548%	0.14682%	0.14753%
Proportionate share of the net pension liability	\$ 20,387,000	\$ 18,479,000	\$ 17,829,000
Covered-employee payroll	11,491,017	11,097,066	10,969,314
Proportionate share of the net pension liability as a percentage of covered employee payroll	177.42%	166.52%	162.54%
Plan fiduciary net position as a percentage of the total pension liability	68.28%	70.68%	70.88%
<b>Schedule of Employer Contributions</b>			
Contractually required contribution	\$ 1,652,204	\$ 1,555,410	\$ 1,564,756
Contribution in relation to contractually required contribution	1,652,204	1,555,410	1,564,756
Contribution excess (deficiency)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 11,491,017	\$ 11,097,066	\$ 10,969,314
Contributions as a percentage of covered-employee payroll	14.38%	14.02%	14.26%

**Notes to Schedule:**

Contractually required contributions are developed using the entry age normal actuarial cost method. There have been no changes to the benefit provisions since the prior actuarial valuation.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation rate	2.50%
Projected salary increases	annually
Investment rate of return	7.00% per annum, compounded annually

**NOTE : GASB 68 requires 10-year trend information. As fiscal year 2015 was the year of implementation, additional years will be displayed as the information becomes available.**

**Schedules of Funding Progress and Employer Contributions (Unaudited)**  
**Other Postemployment Benefits**

---

**Year Ended June 30, 2017**

---

**Schedules of Funding Progress**

	Actuarial Valuation	Actuarial Date	Accrued		Unfunded		Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as a Percentage of Covered Payroll
			Value of Assets	Liability Projected Unit Credit	Accrued Liability	Actuarial Liability			
<b>City of Poquoson</b>	6/30/17	\$ -	\$ 836,287	\$ 836,287	0.00%	\$ 7,033,793	11.89%		
	6/30/16	\$ -	\$ 791,172	\$ 791,172	0.00%	\$ 6,705,875	11.80%		
	6/30/15	\$ -	\$ 890,702	\$ 890,702	0.00%	\$ 6,518,638	13.66%		
<b>Component Unit -</b>									
<b>School Board</b>	6/30/17	\$ -	\$ 290,136	\$ 290,136	0.00%	\$ 12,043,641	2.41%		
	6/30/16	\$ -	\$ 311,524	\$ 311,524	0.00%	\$ 11,604,391	2.68%		
	6/30/15	\$ -	\$ 448,890	\$ 448,890	0.00%	\$ 11,373,696	3.95%		

**Schedules of Employer Contributions**

	Actuarial Valuation	Date	Annual Required Contribution		Percentage of ARC Contributed	Net OPEB Obligation (asset)
			Required Contribution (ARC)			
<b>City of Poquoson</b>	6/30/17		\$ 74,645		24.54%	\$ 426,584
	6/30/16		\$ 64,509		77.12%	\$ 370,562
	6/30/15		\$ 61,870		-3.03%	\$ 356,098
<b>Component Unit -</b>						
<b>School Board</b>	6/30/17		\$ 33,132		411.76%	\$ (46,661)
	6/30/16		\$ 57,186		156.71%	\$ 56,678
	6/30/15		\$ 55,344		237.83%	\$ 89,181

## ***City of Poquoson, Virginia***

### ***Notes to Required Supplementary Information***

---

**June 30, 2017**

---

#### **Budgets and Budgetary Accounting**

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

- Between the 1<sup>st</sup> and 30<sup>th</sup> 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 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 budget is 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.

\* \* \* \* \*

*This page left blank intentionally*

*Other Supplementary Information*

***Statement of Changes in Assets and Liabilities - Library Agency Fund***

---

**Year Ended June 30, 2017**

---

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<b>Assets</b>				
Cash and cash equivalents	\$ 31,495	\$ -	\$ (13,811)	\$ 17,684
<b>Liabilities</b>				
Amounts held for others	\$ 31,495	\$ -	\$ (13,811)	\$ 17,684

## Combining Balance Sheet - Component Unit - School Board

---

**June 30, 2017**

---

	Governmental Activities		Total
	General	Special Revenue	School Board
<b>Assets</b>			
Cash and cash equivalents	\$ 2,462,468	\$ -	\$ 2,462,468
Restricted cash and cash equivalents	-	208,612	208,612
Due from other governmental units	335,745	-	335,745
Inventory	-	26,149	26,149
<b>Total assets</b>	<b>\$ 2,798,213</b>	<b>\$ 234,761</b>	<b>\$ 3,032,974</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 2,387,440	\$ -	\$ 2,387,440
Due to primary government	46,533	-	46,533
<b>Total liabilities</b>	<b>2,433,973</b>	<b>-</b>	<b>2,433,973</b>
<b>Fund Balances</b>			
Unspendable	-	26,149	26,149
Restricted	-	208,612	208,612
Assigned, education	364,240	-	364,240
<b>Total fund balances</b>	<b>364,240</b>	<b>234,761</b>	<b>599,001</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,798,213</b>	<b>\$ 234,761</b>	<b>\$ 3,032,974</b>

***Combining Balance Sheet - Component Unit - School Board***

---

**June 30, 2017**

---

**Reconciliation of Combining Balance Sheet - Component Unit - School Board  
to Statement of Net Position - Component Unit - School Board**

Total fund balances - Component Unit - School Board	\$ 599,001
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.	5,469,335
Deferred outflows of resources for pension contributions used in governmental activities are not financial resources and therefore, are not reported in the funds.	2,953,584
Noncurrent liabilities, net of OPEB asset, are not due and payable in the current period and, therefore, are not reported in the funds.	(21,182,200)
Deferred inflows of resources for pension investment experience and proportionate share are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(907,000)</u>
<b>Total net position - Component Unit - School Board</b>	<b><u><u>\$ (13,067,280)</u></u></b>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Component Unit - School Board**

**Year Ended June 30, 2017**

	General Fund	Special Revenue	Total School Board
<b>Revenues</b>			
Charges for services	\$ -	\$ 759,549	\$ 759,549
Intergovernmental			
Commonwealth of Virginia	10,776,472	11,234	10,787,706
Federal government	1,087,881	196,333	1,284,214
Local government	9,738,170	-	9,738,170
Other	238,370	-	238,370
<b>Total revenues</b>	<b>21,840,893</b>	<b>967,116</b>	<b>22,808,009</b>
<b>Expenditures</b>			
Current			
Education	21,588,709	1,031,901	22,620,610
<b>Total expenditures</b>	<b>21,588,709</b>	<b>1,031,901</b>	<b>22,620,610</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>252,184</b>	<b>(64,785)</b>	<b>187,399</b>
<b>Other financing sources (uses)</b>			
Transfers in	-	178,957	178,957
Transfers out	(178,957)	-	(178,957)
<b>Total other financing sources (uses), net</b>	<b>(178,957)</b>	<b>178,957</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>73,227</b>	<b>114,172</b>	<b>187,399</b>
<b>Fund balance, July 1, 2016</b>	<b>291,013</b>	<b>120,589</b>	<b>411,602</b>
<b>Fund balance, June 30, 2017</b>	<b>\$ 364,240</b>	<b>\$ 234,761</b>	<b>\$ 599,001</b>

## ***Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Component Unit - School Board***

**Year Ended June 30, 2017**

## Reconciliation of Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Component Unit - School Board to Statement of Activities - Component Unit - School Board

Net change in fund balances - total School Board funds \$ 187,399

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. Also, in the Statement of Activities, the loss of disposal of assets is reported.

Capital outlay	410,386
Depreciation expense	(1,134,417)
Loss on disposal of capital assets	(9,880)

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.

Pension expense	(69,159)
Other postemployment benefit obligation	103,339
Compensated absences	7,671

The City has a "tenancy in common" with the School Board whenever the City incurs "on behalf" of debt for any school property owned by the School Board which is payable over more than one year. This amount is the applicable net book value change for the fiscal year.

620,788

### **Change in net position of governmental activities**

\$ 116,127

## Budgetary Comparison Schedule - General Fund - School Board

---

**Year Ended June 30, 2017**

---

	General Fund			Variance With Final Budget
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental				
Commonwealth of Virginia	\$ 10,731,551	\$ 10,864,058	\$ 10,776,472	\$ (87,586)
Federal government	1,035,608	1,438,142	1,087,881	(350,261)
Local government	9,740,403	9,767,528	9,738,170	(29,358)
	170,188	270,849	238,370	(32,479)
<b>Total revenues</b>	<b>21,677,750</b>	<b>22,340,577</b>	<b>21,840,893</b>	<b>(499,684)</b>
<b>Expenditures</b>				
Current				
Instruction	15,727,210	15,425,245	15,400,475	24,770
Division-wide	1,064,456	1,126,368	1,129,340	(2,972)
Transportation	837,906	800,705	785,152	15,553
Operation and maintenance	1,809,954	2,072,836	2,054,777	18,059
Food service	223,202	230,202	263,190	(32,988)
Technology	1,123,914	1,391,649	1,285,711	105,938
Grants	891,108	1,293,572	922,248	371,324
<b>Total expenditures</b>	<b>21,677,750</b>	<b>22,340,577</b>	<b>21,840,893</b>	<b>499,684</b>
<b>Other financing (uses)</b>				
Transfer out - special revenue fund	-	(178,957)	(178,957)	-
<b>Total other financing (uses)</b>	<b>-</b>	<b>(178,957)</b>	<b>(178,957)</b>	<b>-</b>
<b>Deficiency of revenue (under) expenditures and other financing uses - budgetary basis</b>				
	\$ -	\$ (178,957)	\$ (178,957)	\$ -
<b>Less - encumbrances outstanding June 30, 2016, actually expended as of June 30, 2017</b>				
				(291,013)
<b>Add - encumbrances outstanding June 30, 2017</b>				
				<b>364,240</b>
<b>Excess of revenue over expenditures and other financing uses - GAAP basis</b>				
				73,227
<b>Fund balance, June 30, 2016</b>				<b>291,013</b>
<b>Fund balance, June 30, 2017</b>				<b>\$ 364,240</b>

***Schedule of Changes in Capital Assets by Function and Activity - School Board***

---

**Year Ended June 30, 2017**

---

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Education	\$ 43,251,337	\$ 410,386	\$ 72,377	\$ 43,589,346
Less - accumulated depreciation	(15,278,660)	(1,134,417)	62,497	(16,350,580)
	<u>27,972,677</u>	<u>(724,031)</u>	<u>9,880</u>	<u>27,238,766</u>
Allocation of assets to City, net	(22,390,219)	620,788	-	(21,769,431)
	<u>\$ 5,582,458</u>	<u>\$ (103,243)</u>	<u>\$ 9,880</u>	<u>\$ 5,469,335</u>

***Schedule of Changes in Assets and Liabilities - Agency Funds***  
***Discretely Presented Component Unit - School Board***

---

**Year Ended June 30, 2017**

---

(School Activity Funds and Instructional Support Fund)

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<b>Assets</b>				
Cash and cash equivalents	\$ 319,666	\$ 700,307	\$ 756,419	\$ 263,554
<b>Liabilities</b>				
Due to students	\$ 319,666	\$ 700,307	\$ 756,419	\$ 263,554

***Statement of Cash Flows - Component Unit - Economic Development Authority***

---

**Year Ended June 30, 2017**

---

<b>Cash flows from operating activities</b>	
Received from customers and users	\$ 21,867
Payments to suppliers for goods and services	(2,182)
<b>Net cash provided by operating activities</b>	<b><u>19,685</u></b>
 <b>Cash flows from noncapital financing agreements</b>	
Contributions from primary government	<u>25,000</u>
 <b>Cash flows from capital and related financing activities</b>	
Interest paid on capital debt	<u>(37,566)</u>
 <b>Net increase in cash and cash equivalents</b>	<b>7,119</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>13,799</b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 20,918</u></b>
 <b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (19,890)
Adjustments	
Depreciation	17,788
Changes in assets and liabilities	
Accounts receivable	(3,105)
Accounts payable	24,892
<b>Net cash provided by operating activities</b>	<b><u>\$ 19,685</u></b>

*This page left blank intentionally*

## *City of Poquoson, Virginia*

### ***Statistical Section Overview***

---

**June 30, 2017**

---

This part of the City of Poquoson's Comprehensive Annual Financial 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.

#### **Contents**

##### **Financial Trends**

**Tables 1 - 4**

These tables contain trend information to help the reader understand how the City's financial performance and well-being has changed over time.

##### **Revenue Capacity**

**Tables 5 - 7**

These tables contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.

##### **Debt Capacity**

**Tables 8 - 10**

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.

##### **Demographic and Economic Information**

**Tables 11 - 12**

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

##### **Operation Information**

**Tables 13 - 15**

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

**Sources:** Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant year.

\* \* \* \* \*

*This page left blank intentionally*

## Net Position by Component (unaudited)

## Last Ten Fiscal Years

	(Restated)									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 17,903,251	\$ 16,369,767	\$ 15,992,201	\$ 15,304,386	\$ 16,049,986	\$ 16,838,143	\$ 17,593,261	\$ 17,493,727	\$ 18,654,461	\$ 12,045,582
Restricted	1,997,619	2,502,661	1,229,189	758,646	878,402	1,037,956	-	-	-	-
Unrestricted	2,027,326	1,902,805	1,404,823	864,818	5,088,254	5,070,860	5,902,110	5,235,762	4,668,824	9,164,683
<b>Total governmental activities</b>	<b>\$ 21,928,196</b>	<b>\$ 20,775,233</b>	<b>\$ 18,626,213</b>	<b>\$ 16,927,850</b>	<b>\$ 22,016,642</b>	<b>\$ 22,946,959</b>	<b>\$ 23,495,371</b>	<b>\$ 22,729,489</b>	<b>\$ 23,323,285</b>	<b>\$ 21,210,265</b>
Business-type activities										
Net investment in capital assets	\$ 4,611,977	\$ 4,754,036	\$ 4,791,909	\$ 4,610,052	\$ 4,848,333	\$ 5,094,194	\$ 5,073,709	\$ 4,923,135	\$ 5,595,258	\$ 5,518,765
Unrestricted	2,565,946	1,869,516	1,408,633	1,307,027	1,016,071	588,681	499,193	1,358,338	1,038,282	1,454,510
<b>Total business-type activities</b>	<b>\$ 7,177,923</b>	<b>\$ 6,623,552</b>	<b>\$ 6,200,542</b>	<b>\$ 5,917,079</b>	<b>\$ 5,864,404</b>	<b>\$ 5,682,875</b>	<b>\$ 5,572,902</b>	<b>\$ 6,281,473</b>	<b>\$ 6,633,540</b>	<b>\$ 6,973,275</b>
Primary government										
Net investment in capital assets	\$ 22,515,228	\$ 21,123,803	\$ 20,784,110	\$ 19,914,438	\$ 20,898,319	\$ 21,932,337	\$ 22,199,083	\$ 22,416,862	\$ 24,249,719	\$ 17,564,347
Restricted - capital projects	1,644,469	1,995,804	942,712	488,442	645,971	862,106	-	-	-	-
Restricted - other	353,150	506,857	286,477	270,204	232,431	175,850	-	-	-	-
Unrestricted	4,593,272	3,772,321	2,813,456	2,171,845	6,104,325	5,659,541	6,401,303	6,594,100	5,707,106	10,619,193
<b>Total primary government</b>	<b>\$ 29,106,119</b>	<b>\$ 27,398,785</b>	<b>\$ 24,826,755</b>	<b>\$ 22,844,929</b>	<b>\$ 27,881,046</b>	<b>\$ 28,629,834</b>	<b>\$ 28,600,386</b>	<b>\$ 29,010,962</b>	<b>\$ 29,956,825</b>	<b>\$ 28,183,540</b>

**City of Poquoson, Virginia**

**Table 2**

**Change in Net Position (unaudited)**

**Last Ten Fiscal Years**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Expenses</b>										
Governmental activities										
General government	\$ 3,772,798	\$ 3,670,330	\$ 2,655,051	\$ 3,471,130	\$ 3,081,068	\$ 3,058,270	\$ 2,328,395	\$ 2,960,944	\$ 2,735,018	\$ 1,415,530
Public safety and judicial	6,811,120	6,367,432	6,572,994	6,669,898	6,609,483	6,296,795	6,147,949	6,016,699	5,844,764	6,668,792
Public works	1,454,996	672,523	1,722,753	2,066,486	1,599,943	1,875,113	1,883,380	950,043	1,780,286	1,587,249
Health and welfare	1,228,244	1,125,090	1,036,794	957,396	909,035	913,826	817,008	1,022,735	1,162,301	1,081,767
Education	10,089,105	10,434,221	10,126,907	9,984,015	9,557,995	9,510,584	9,080,484	10,906,525	8,364,349	8,405,003
Parks and recreation	2,113,548	1,923,884	1,738,752	1,774,597	1,639,717	1,248,643	1,224,910	859,051	1,389,000	1,249,535
Industrial Development Authority	-	25,000	-	-	-	-	-	-	-	-
Community development	1,611,496	667,793	560,195	644,892	711,874	567,672	488,893	547,051	1,272,635	2,327,008
Interest on long-term debt	638,246	1,040,364	1,046,103	1,074,323	1,114,258	1,219,966	1,213,782	1,100,826	1,263,686	1,399,427
<b>Total governmental activities</b>	<b>27,719,553</b>	<b>25,926,637</b>	<b>25,459,549</b>	<b>26,642,737</b>	<b>25,223,373</b>	<b>24,690,869</b>	<b>23,184,801</b>	<b>24,363,874</b>	<b>23,812,039</b>	<b>24,134,311</b>
Business-type activities										
Sewer	1,488,407	1,485,293	1,520,881	1,465,757	1,470,187	1,447,681	2,057,173	1,685,334	1,534,743	1,604,560
Parks and recreation	-	-	-	-	-	455,199	450,025	401,006	463,662	463,668
Solid waste	806,210	793,688	746,243	863,191	842,251	743,280	791,114	766,921	768,565	904,411
<b>Total business-type activities</b>	<b>2,294,617</b>	<b>2,278,981</b>	<b>2,267,124</b>	<b>2,328,948</b>	<b>2,312,438</b>	<b>2,646,160</b>	<b>3,298,312</b>	<b>2,853,261</b>	<b>2,766,970</b>	<b>2,972,639</b>
<b>Total expenses</b>	<b>30,014,170</b>	<b>28,205,618</b>	<b>27,726,673</b>	<b>28,971,685</b>	<b>27,535,811</b>	<b>27,337,029</b>	<b>26,483,113</b>	<b>27,217,135</b>	<b>26,579,009</b>	<b>27,106,950</b>
<b>Program revenues</b>										
Governmental activities										
Charges for services:										
General government	1,269,889	343,486	236,877	276,781	218,338	223,152	223,887	254,482	274,901	157,130
Public safety and judicial	458,937	435,190	477,642	398,996	370,268	112,011	300,870	103,169	108,456	102,452
Education	3,655	47,520	43,914	35,343	36,347	49,188	36,347	-	-	-
Parks and recreation	85,445	89,096	80,871	76,741	80,352	74,609	61,820	217,372	55,288	69,952
Community development	317,701	330,949	324,945	312,043	330,873	300,206	33,721	22,614	22,741	36,230
Operating grants and contributions	1,640,741	1,633,650	1,566,976	1,622,774	1,670,603	1,575,285	1,881,297	1,986,470	1,658,180	2,290,305
Capital grants and contributions	645,565	837,446	507,190	599,361	458,320	732,846	419,225	330,892	2,873,294	1,745,973
<b>Total governmental activities</b>	<b>4,421,933</b>	<b>3,717,337</b>	<b>3,238,415</b>	<b>3,322,039</b>	<b>3,165,101</b>	<b>3,067,297</b>	<b>2,957,167</b>	<b>2,914,999</b>	<b>4,992,860</b>	<b>4,402,042</b>
Business-type activities										
Charges for services										
Sewer	2,188,672	2,015,026	1,865,981	1,887,501	1,835,646	1,520,017	1,531,319	1,487,157	1,528,438	1,514,893
Solid waste	819,845	801,841	796,892	863,890	862,297	212,730	189,782	743,965	586,277	511,173
Parks and recreation	-	-	-	-	-	743,936	755,834	179,070	171,459	177,858
<b>Total business-type activities</b>	<b>3,008,517</b>	<b>2,816,867</b>	<b>2,662,873</b>	<b>2,751,391</b>	<b>2,697,943</b>	<b>2,476,683</b>	<b>2,476,935</b>	<b>2,410,192</b>	<b>2,286,174</b>	<b>2,203,924</b>
<b>Total program revenues</b>	<b>7,430,450</b>	<b>6,534,204</b>	<b>5,901,288</b>	<b>6,073,430</b>	<b>5,863,044</b>	<b>5,543,980</b>	<b>5,434,102</b>	<b>5,325,191</b>	<b>7,279,034</b>	<b>6,605,966</b>
<b>Governmental activities, net expense</b>	<b>(23,297,620)</b>	<b>(22,209,300)</b>	<b>(22,221,134)</b>	<b>(23,320,698)</b>	<b>(22,058,272)</b>	<b>(21,623,572)</b>	<b>(20,227,634)</b>	<b>(21,448,875)</b>	<b>(18,819,179)</b>	<b>(19,732,269)</b>
<b>Business-type activities, net expense</b>	<b>713,900</b>	<b>537,886</b>	<b>395,749</b>	<b>422,443</b>	<b>385,505</b>	<b>(169,477)</b>	<b>(821,377)</b>	<b>(443,069)</b>	<b>(480,796)</b>	<b>(768,715)</b>
<b>Total primary government, net expenses</b>	<b>(22,583,720)</b>	<b>(21,671,414)</b>	<b>(21,825,385)</b>	<b>(22,898,255)</b>	<b>(21,672,767)</b>	<b>(21,793,049)</b>	<b>(21,049,011)</b>	<b>(21,891,944)</b>	<b>(19,299,975)</b>	<b>(20,500,984)</b>

NOTE - In FY 2013, the Parks and Recreation Enterprise Fund was rolled in the City's General Fund.

*City of Poquoson, Virginia*

**Table 2**  
(continued)

**Change in Net Position (unaudited)**

**Last Ten Fiscal Years**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>General revenues and other changes in net position</b>										
Governmental activities										
Taxes										
Property taxes	20,821,895	20,570,278	20,368,202	18,827,143	18,219,806	18,228,029	18,235,363	18,054,307	17,989,555	15,956,711
Other taxes	2,957,310	2,838,120	2,906,288	2,804,760	2,881,297	2,529,995	2,464,223	2,451,932	2,537,554	2,613,195
Reimbursements from other agencies	137,731	158,675	128,897	159,612	84,883	58,458	75,318	102,239	95,694	1,367,713
Payments in lieu of taxes										
Investment earnings	251,622	221,823	200,759	188,699	189,710	181,274	183,284	156,139	179,671	728,606
Miscellaneous	86,193	419,424	165,351	184,222	236,197	196,203	(25,102)	51,462	99,725	294,109
Transfers	195,833	150,000	150,000	128,000	130,000	(118,799)	80,400	39,000	30,000	(258,430)
<b>Total governmental activities</b>	<b>24,450,584</b>	<b>24,358,320</b>	<b>23,919,497</b>	<b>22,292,436</b>	<b>21,741,893</b>	<b>21,075,160</b>	<b>21,013,486</b>	<b>20,855,079</b>	<b>20,932,199</b>	<b>20,701,904</b>
Business-type activities										
Investment earnings	35,973	34,964	33,357	35,470	26,440	32,131	29,476	30,522	29,264	37,001
Miscellaneous	331	160	4,357	587	2,677	128,520	132,530	99,480	141,797	167,035
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(45,464)
Transfers	(195,833)	(150,000)	(150,000)	(128,000)	(130,000)	118,799	(49,200)	(39,000)	(30,000)	258,430
<b>Total business-type activities</b>	<b>(159,529)</b>	<b>(114,876)</b>	<b>(112,286)</b>	<b>(91,943)</b>	<b>(100,883)</b>	<b>279,450</b>	<b>112,806</b>	<b>91,002</b>	<b>141,061</b>	<b>417,002</b>
<b>Total general revenues and other changes in net position</b>	<b>24,291,055</b>	<b>24,243,444</b>	<b>23,807,211</b>	<b>22,200,493</b>	<b>21,641,010</b>	<b>21,354,610</b>	<b>21,126,292</b>	<b>20,946,081</b>	<b>21,073,260</b>	<b>21,118,906</b>
<b>Change in net position</b>										
Governmental activities	1,152,964	2,149,020	1,698,363	(1,028,262)	(316,379)	(548,412)	785,852	(593,796)	2,113,020	969,635
Business-type activities	554,371	423,010	283,463	330,500	284,622	109,973	(708,571)	(352,067)	(339,735)	(351,713)
<b>Total primary government</b>	<b>\$ 1,707,335</b>	<b>\$ 2,572,030</b>	<b>\$ 1,981,826</b>	<b>\$ (697,762)</b>	<b>\$ (31,757)</b>	<b>\$ (438,439)</b>	<b>\$ 77,281</b>	<b>\$ (945,863)</b>	<b>\$ 1,773,285</b>	<b>\$ 617,922</b>

## Fund Balances - Governmental Funds (unaudited)

## Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General fund										
Non-spendable	\$ 1,847,268	\$ 1,861,498	\$ 1,880,726	\$ 1,899,954	\$ 1,968,595	\$ 254,474	\$ 273,051	\$ -	\$ -	\$ -
Restricted	353,150	348,557	286,477	270,204	234,126	175,850	193,477	-	-	-
Assigned	914,114	829,475	855,862	706,877	426,772	679,065	447,892	-	-	-
Unassigned	4,358,819	4,388,700	4,851,141	5,009,182	4,837,805	4,498,417	4,776,356	-	-	-
Reserved for										
Encumbrances and loans	-	-	-	-	-	-	-	347,863	392,810	276,571
Asset forfeiture	-	-	-	-	-	-	-	83,704	89,261	89,594
Fire department	-	-	-	-	-	-	-	100,858	69,671	-
Library	-	-	-	-	-	-	-	13,015	13,861	-
Heritage Park	-	-	-	-	-	-	-	6,060	-	-
Unreserved	-	-	-	-	-	-	-	4,338,582	3,389,561	3,571,770
<b>Total general fund</b>	<b>\$ 7,473,351</b>	<b>\$ 7,428,230</b>	<b>\$ 7,874,206</b>	<b>\$ 7,886,217</b>	<b>\$ 7,467,298</b>	<b>\$ 5,607,806</b>	<b>\$ 5,690,776</b>	<b>\$ 4,890,082</b>	<b>\$ 3,955,164</b>	<b>\$ 3,937,935</b>
All other governmental funds										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,644,469	2,154,104	942,712	488,442	645,971	862,106	478,967	-	-	-
Assigned	769,329	706,113	822,546	573,040	651,746	376,082	391,118	-	-	-
Reserved for										
Grants	-	-	-	-	-	-	-	32,077	27,168	-
Construction - bond principal	-	-	-	-	-	-	-	651,191	826,219	4,244,577
Construction - bond earnings	-	-	-	-	-	-	-	-	-	-
Unreserved for										
Designated	-	-	-	-	-	-	-	-	-	1,203,324
Unreserved and undesignated	-	-	-	-	-	-	-	258,713	470,991	258,724
<b>Total all other governmental funds</b>	<b>\$ 2,413,798</b>	<b>\$ 2,860,217</b>	<b>\$ 1,765,258</b>	<b>\$ 1,061,482</b>	<b>\$ 1,297,717</b>	<b>\$ 1,238,188</b>	<b>\$ 870,085</b>	<b>\$ 909,904</b>	<b>\$ 1,329,287</b>	<b>\$ 5,733,793</b>

Note: GASB 54 was implemented by the City of Poquoson in FY 2011. Data for this schedule prior to FY 2011 is not available.

**City of Poquoson, Virginia**

**Table 4**

**Changes in Fund Balances - Governmental Funds (unaudited)**

**Last Ten Fiscal Years**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Revenues</b>										
General property taxes	\$ 18,939,996	\$ 18,605,963	\$ 18,425,590	\$ 16,959,423	\$ 16,371,816	\$ 16,361,071	\$ 16,296,911	\$ 16,023,837	\$ 16,034,422	\$ 16,127,168
Other local taxes	2,957,310	2,838,120	2,906,288	2,804,760	2,881,297	2,529,995	2,464,223	2,451,932	2,537,554	2,613,195
Permits, privilege fees, and regulatory licenses	157,800	150,186	168,314	89,910	76,040	97,314	78,464	70,947	83,775	98,233
Fines and forfeitures	34,665	41,742	44,898	73,024	58,103	43,603	54,907	54,836	46,859	38,201
Revenue from use of money and property	251,622	221,823	200,759	188,699	189,710	183,310	183,282	157,426	224,492	825,346
Charges for services	689,823	719,627	730,274	677,961	683,698	395,096	299,386	217,372	55,909	71,505
Intergovernmental	5,600,807	4,887,888	4,347,257	4,564,184	4,355,574	4,513,171	4,416,734	4,597,512	4,871,491	6,017,329
Miscellaneous	77,683	406,388	187,840	216,483	260,245	215,548	128,881	60,625	86,991	320,188
<b>Total revenues</b>	<b>28,709,706</b>	<b>27,871,737</b>	<b>27,011,220</b>	<b>25,574,444</b>	<b>24,876,483</b>	<b>24,339,108</b>	<b>23,922,788</b>	<b>23,634,487</b>	<b>23,941,493</b>	<b>26,111,165</b>
<b>Expenditures</b>										
Current										
General government and administration	2,197,779	2,307,455	2,142,936	2,150,397	2,116,875	2,175,864	2,106,211	1,924,481	2,324,651	2,018,674
Public safety and judicial	6,748,735	6,510,844	6,543,540	6,323,724	6,247,962	5,909,331	5,765,369	5,601,358	5,328,217	5,952,162
Public works	1,904,962	1,806,905	1,846,179	1,717,667	1,587,114	1,596,143	1,516,878	1,530,904	1,535,411	1,503,219
Health and welfare	1,226,563	1,127,881	1,038,823	938,191	892,421	897,082	802,490	1,016,083	1,131,499	1,067,418
Parks, recreation, and cultural	1,617,467	1,605,290	1,616,495	1,558,028	1,545,578	1,057,553	1,016,944	1,003,795	1,169,328	1,175,226
Community development	1,616,597	686,316	588,060	643,567	705,927	577,990	490,912	529,529	1,236,529	2,222,658
Nondepartmental	138,342	114,470	113,192	125,312	144,213	359,518	112,981	329,279	134,282	218,133
Education	9,738,170	9,566,168	9,422,763	8,991,413	8,844,076	8,796,662	8,578,675	8,008,392	8,078,598	8,147,463
Economic Development Authority		25,000	-	-	-	-	-	40,000	51,250	110,000
Capital outlays	1,468,075	1,202,670	822,462	991,003	794,678	1,119,347	814,871	838,069	7,085,050	14,035,793
Debt service										
Principal retirement	1,935,001	2,078,058	1,464,000	886,835	684,426	867,647	896,963	1,358,073	1,414,131	1,495,455
Bond issuance costs	-	298,907	-	-	-	310,631	43,263	234,339	139,699	-
Interest and fiscal charges	842,370	1,128,233	1,163,062	1,190,623	1,124,605	1,266,380	1,136,670	1,201,041	1,244,582	1,258,222
<b>Total expenditures</b>	<b>29,434,061</b>	<b>28,458,197</b>	<b>26,761,512</b>	<b>25,516,760</b>	<b>24,687,875</b>	<b>24,934,148</b>	<b>23,282,227</b>	<b>23,615,343</b>	<b>30,873,227</b>	<b>39,204,423</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(724,355)</b>	<b>(586,460)</b>	<b>249,708</b>	<b>57,684</b>	<b>188,608</b>	<b>(595,040)</b>	<b>640,561</b>	<b>19,144</b>	<b>(6,931,734)</b>	<b>(13,093,258)</b>
<b>Other financing sources (uses)</b>										
Transfers in	3,216,988	3,988,485	3,795,075	2,306,958	2,333,090	2,253,807	2,248,182	2,587,735	2,708,519	448,610
Issuance of debt, net	127,224	1,085,443	292,057	-	1,734,000	998,972	39,914	457,391	2,514,557	664,414
Transfers out	(3,021,155)	(3,838,485)	(3,645,075)	(2,181,958)	(2,203,090)	(2,372,606)	(2,167,782)	(2,548,735)	(2,678,519)	(388,430)
<b>Total other financing sources</b>	<b>323,057</b>	<b>1,235,443</b>	<b>442,057</b>	<b>125,000</b>	<b>1,864,000</b>	<b>880,173</b>	<b>120,314</b>	<b>496,391</b>	<b>2,544,557</b>	<b>724,594</b>
<b>Net change in fund balances</b>	<b>\$ (401,298)</b>	<b>\$ 648,983</b>	<b>\$ 691,765</b>	<b>\$ 182,684</b>	<b>\$ 2,052,608</b>	<b>\$ 285,133</b>	<b>\$ 760,875</b>	<b>\$ 515,535</b>	<b>\$ (4,387,177)</b>	<b>\$ (12,368,664)</b>
Debt service as a percentage of noncapital expenditures	9.85%	12.06%	10.28%	8.35%	7.52%	8.88%	8.98%	11.68%	11.18%	11.23%

**Assessed Value and Estimated Actual Value of Taxable Real Property (Unaudited)****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 Taxable Value	Assessed Value as a Percentage of Actual Value
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%
2014	\$ 1,411,254,800	\$ 98,310,947	\$ 3,452,500	\$ 1,513,018,247	\$ 103,821,950	\$ 0.97	\$ 1,513,018,247	100%
2013	\$ 1,426,373,300	\$ 96,689,879	\$ 3,706,100	\$ 1,526,769,279	\$ 105,532,630	\$ 0.92	\$ 1,511,501,600	101%
2012	\$ 1,417,474,500	\$ 98,208,727	\$ 3,706,100	\$ 1,519,389,327	\$ 109,434,010	\$ 0.92	\$ 1,519,380,327	100%
2011	\$ 1,622,194,900	\$ 102,253,036	\$ 3,798,800	\$ 1,728,246,736	\$ 109,430,730	\$ 0.81	\$ 1,641,834,400	105%
2010	\$ 1,612,987,500	\$ 103,065,821	\$ 3,798,800	\$ 1,719,852,121	\$ 81,348,380	\$ 0.81	\$ 1,631,859,515	105%
2009	\$ 1,604,471,900	\$ 91,095,808	\$ 3,227,800	\$ 1,698,795,508	\$ 81,410,750	\$ 0.81	\$ 1,705,314,450	99%
2008	\$ 1,577,324,400	\$ 97,776,982	\$ 3,227,800	\$ 1,678,329,182	\$ 80,948,613	\$ 0.81	\$ 1,730,326,270	97%

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

Property Tax Levies and Collections (Unaudited)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
2017	\$ 16,283,816	\$ -	\$ 16,283,816	\$ 16,136,972	99.10%	\$ -	\$ 16,136,972	99.10%
2016	\$ 16,111,062	\$ -	\$ 16,111,062	\$ 15,942,338	98.95%	\$ -	\$ 15,942,338	98.95%
2015	\$ 16,039,914	\$ 595	\$ 16,040,509	\$ 15,875,158	98.97%	\$ 68,487	\$ 15,943,645	99.40%
2014	\$ 14,492,059	\$ 519	\$ 14,492,578	\$ 14,338,022	98.94%	\$ 108,153	\$ 14,446,175	99.68%
2013	\$ 13,891,076	\$ (1,670)	\$ 13,889,406	\$ 13,709,910	98.70%	\$ 155,626	\$ 13,865,536	99.83%
2012	\$ 13,808,493	\$ (3,969)	\$ 13,804,524	\$ 13,617,311	98.62%	\$ 171,337	\$ 13,788,648	99.88%
2011	\$ 13,666,068	\$ 12,686	\$ 13,678,754	\$ 13,421,564	98.21%	\$ 243,649	\$ 13,665,213	99.90%
2010	\$ 13,614,366	\$ 3,219	\$ 13,617,585	\$ 13,371,918	98.22%	\$ 233,096	\$ 13,605,014	99.91%
2009	\$ 13,481,887	\$ 1,040	\$ 13,482,927	\$ 13,306,699	98.70%	\$ 165,681	\$ 13,472,380	99.92%
2008	\$ 13,330,523	\$ (1,413)	\$ 13,329,110	\$ 13,186,765	98.92%	\$ 136,265	\$ 13,323,030	99.95%

## Principal Taxpayers - 2017 and Nine Years Ago (Unaudited)

Taxpayer	Type of Business	2017		2008	
		Assessed Real Estate Valuation	Percentage of Total Real Estate Assessment	Assessed Real Estate Valuation	Percentage of Total Real Estate Assessment
Poquoson Place Apartments	Apartment Rentals	\$ 9,155,600	0.60%	\$ 8,096,800	0.48%
Whitehouse Cove, LLC	Marina / Mobile Home Park	3,500,900	0.23%	-	0.00%
Poquoson Commons Retail Investors, Inc.	Shopping Center	6,415,500	0.42%	7,907,600	0.47%
Poquoson Shopping Center, L.L.C.	Shopping Center	5,695,900	0.37%	4,139,400	0.25%
Shamrock Redwood Whitehouse LLC	Mobile Home Park	3,968,400	0.26%	-	0.00%
SGC Wythe Creek, L.L.C.	Shopping Center	4,089,300	0.27%	3,883,800	0.23%
GPH Poquoson L.L.C.	Nursing Home	3,641,600	0.24%	3,028,200	0.18%
Islander Associates	Apartment Rentals	3,480,200	0.23%	3,012,200	0.18%
Universal of Poquoson	Mobile Home Park	3,401,200	0.22%	3,020,400	0.18%
Hunt Properties of Poquoson, Inc.	Storage Facilities	2,718,000	0.18%	2,760,300	0.16%
Wachovia Bank	Financial Institution	-	0.00%	2,291,400	0.14%
Poquoson Marina Associates	Marina / Mobile Home Park	-	0.00%	6,367,200	0.38%
City of Newport News	Public Service	4,023,500	0.26%	-	0.00%
		\$ 50,090,100	3.28%	\$ 44,507,300	2.65%

***Computation of Legal Debt Margin (Unaudited)*****Last Ten Fiscal Years**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Total assessed value of taxed real property</b>										
General	\$ 1,619,068,342	\$ 1,504,974,300	\$ 1,500,055,080	\$ 1,493,024,330	\$ 1,508,646,060	\$ 1,498,862,620	\$ 1,711,308,830	\$ 1,702,517,110	\$ 1,685,314,440	\$ 1,662,716,070
Public service corporations	20,840,442	20,060,055	18,657,291	19,993,917	18,123,219	20,526,707	16,937,906	17,335,011	13,481,068	15,613,112
<b>Total</b>	<b>\$ 1,639,908,784</b>	<b>\$ 1,525,034,355</b>	<b>\$ 1,518,712,371</b>	<b>\$ 1,513,018,247</b>	<b>\$ 1,526,769,279</b>	<b>\$ 1,519,389,327</b>	<b>\$ 1,728,246,736</b>	<b>\$ 1,719,852,121</b>	<b>\$ 1,698,795,508</b>	<b>\$ 1,678,329,182</b>
<b>Debt limit (10% of total assessed value)</b>	<b>\$ 163,990,878</b>	<b>\$ 152,503,436</b>	<b>\$ 151,871,237</b>	<b>\$ 151,301,825</b>	<b>\$ 152,676,928</b>	<b>\$ 151,938,933</b>	<b>\$ 172,824,674</b>	<b>\$ 171,985,212</b>	<b>\$ 169,879,551</b>	<b>\$ 167,832,918</b>
<b>Debt applicable to debt limit</b>										
General obligation bonds, other than those authorized for a specific revenue producing project	23,419,586	25,104,587	27,174,645	28,096,588	28,619,001	27,212,000	28,164,822	28,689,878	29,552,678	27,460,783
Capital leases	127,224	-	-	-	83,166	163,593	241,240	316,204	388,577	978,046
Sewer general obligation bonds	6,410,000	6,855,000	7,220,000	8,000,000	8,305,000	8,605,000	9,425,933	9,890,072	9,796,907	10,508,638
State literary fund loans	500,000	750,000	1,000,000	1,250,000	1,530,820	1,807,820	2,084,820	2,361,820	2,763,820	3,165,820
	<b>30,456,810</b>	<b>32,709,587</b>	<b>35,394,645</b>	<b>37,346,588</b>	<b>38,537,987</b>	<b>37,788,413</b>	<b>39,916,815</b>	<b>41,257,974</b>	<b>42,501,982</b>	<b>42,113,287</b>
<b>Margin for additional borrowing</b>	<b>\$ 133,534,068</b>	<b>\$ 119,793,849</b>	<b>\$ 116,476,592</b>	<b>\$ 113,955,237</b>	<b>\$ 114,138,941</b>	<b>\$ 114,150,520</b>	<b>\$ 132,907,859</b>	<b>\$ 130,727,238</b>	<b>\$ 127,377,569</b>	<b>\$ 125,719,631</b>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	<b>18.57%</b>	<b>21.45%</b>	<b>23.31%</b>	<b>24.68%</b>	<b>25.24%</b>	<b>24.87%</b>	<b>23.10%</b>	<b>23.99%</b>	<b>25.02%</b>	<b>25.09%</b>

*Ratios of Outstanding Debt by Type (Unaudited)***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		Line of Credit	Capital Leases	Sewer Bonds				
	Bonds	Payable	Credit	Leases	Bonds						
2017	\$ 27,282,855	\$ 500,000	\$ -	\$ 127,224	\$ 6,879,307	\$ 34,789,386	N/A	N/A	\$ 2,777		
2016	\$ 29,273,324	\$ 750,000	\$ -	\$ -	\$ 7,374,457	\$ 37,397,781	N/A	0.9%	\$ 3,078		
2015	\$ 28,786,818	\$ 1,000,000	\$ 292,057	\$ -	\$ 7,789,604	\$ 37,868,479	\$ 83,735	0.9%	\$ 3,101		
2014	\$ 29,843,650	\$ 1,250,000	\$ -	\$ -	\$ 8,669,904	\$ 39,763,554	\$ 83,460	0.9%	\$ 3,285		
2013	\$ 30,500,952	\$ 1,530,820	\$ -	\$ 83,166	\$ 8,305,000	\$ 40,419,938	\$ 81,892	1.0%	\$ 3,341		
2012	\$ 28,328,321	\$ 1,807,820	\$ -	\$ 163,593	\$ 8,971,631	\$ 39,271,365	\$ 85,033	1.0%	\$ 3,208		
2011	\$ 28,162,916	\$ 2,084,820	\$ -	\$ 241,240	\$ 9,374,924	\$ 39,863,900	\$ 86,611	1.1%	\$ 3,281		
2010	\$ 28,685,786	\$ 2,361,820	\$ -	\$ 316,204	\$ 9,733,441	\$ 41,097,251	\$ 84,315	1.2%	\$ 3,459		
2009	\$ 29,332,470	\$ 2,763,820	\$ -	\$ 388,577	\$ 9,592,392	\$ 42,077,259	\$ 84,688	1.2%	\$ 3,569		
2008	\$ 27,338,072	\$ 3,165,820	\$ -	\$ 978,046	\$ 10,299,394	\$ 41,781,332	\$ 79,123	1.4%	\$ 3,535		

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  
(Unaudited)**

---

**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
2017	12,528	\$ 1,532,812,342	\$ 27,782,855	1.81%	\$ 2,218
2016	12,150	\$ 1,525,034,355	\$ 30,023,324	1.97%	\$ 2,471
2015	12,212	\$ 1,518,712,371	\$ 29,786,818	1.96%	\$ 2,439
2014	12,104	\$ 1,513,018,247	\$ 31,093,650	2.06%	\$ 2,569
2013	12,097	\$ 1,526,769,279	\$ 32,031,772	2.10%	\$ 2,648
2012	12,240	\$ 1,519,389,327	\$ 30,136,141	1.98%	\$ 2,462
2011	12,150	\$ 1,728,246,736	\$ 30,247,736	1.75%	\$ 2,490
2010	11,881	\$ 1,719,852,121	\$ 31,047,606	1.81%	\$ 2,613
2009	11,791	\$ 1,698,795,508	\$ 32,096,290	1.89%	\$ 2,722
2008	11,818	\$ 1,678,329,182	\$ 30,503,892	1.82%	\$ 2,581

Source: <sup>(1)</sup> Weldon Cooper Center for Public Service

<sup>(2)</sup> Only debt to be repaid with general government resources is included, therefore, this table does not include Enterprise and Internal Service general obligation debt, which are retired through revenues of the related operations.

**Demographic Statistics (Unaudited)****Last Ten Fiscal Years**

Fiscal Year	Population (1)	Personal Income (2) (in millions)	Per Capita Personal Income (2)	School Enrollment (3)	Unemployment Rate (4)
2017	12,528	N/A	N/A	2,016	3.5%
2016	12,150	\$ 4,334	\$ 54,159	2,059	3.5%
2015	12,212	\$ 4,367	\$ 54,592	2,087	4.1%
2014	12,104	\$ 4,205	\$ 53,646	2,095	4.7%
2013	12,097	\$ 4,069	\$ 51,718	2,125	5.3%
2012	12,240	\$ 3,931	\$ 50,236	2,178	5.8%
2011	12,150	\$ 3,716	\$ 47,564	2,231	5.9%
2010	11,881	\$ 3,517	\$ 45,334	2,325	6.2%
2009	11,791	\$ 3,456	\$ 47,380	2,398	5.6%
2008	11,818	\$ 3,429	\$ 46,844	2,460	3.4%
2007	11,948	\$ 3,222	\$ 44,148	2,473	2.4%

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.

***Principal Employers in Poquoson - 2017 and Nine Years Ago (Unaudited)***

Employment	2017		2008	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Poquoson City Public Schools	280	16.75%	348	16.89%
City of Poquoson	145	8.67%	157	7.62%
Farm Fresh	69	4.13%	82	3.98%
Golden Living Center/Bayside	60	3.66%	54	2.70%
Food Lion	61	3.65%	51	2.70%
Surf Rider	42	2.51%	N/A	N/A
Dominion Village at Poquoson	29	1.73%	N/A	N/A
Wendy's Restaurant	25	1.50%	N/A	N/A
Poquoson Vet	22	1.32%	N/A	N/A
McDonald's Restaurant	20	1.20%	50	2.43%
Stephen's Office Supply	15	0.90%	27	1.31%
Taylor's Do It Center	14	0.84%	N/A	N/A
Pizza Hut	N/A	N/A	40	1.94%
Unity Business Systems	N/A	N/A	27	1.31%
Village Williamsburg	N/A	N/A	46	2.23%
	782	46.77%	882	42.82%

Source: City of Poquoson Economic Development Department

N/A - This information is not available.

***Full-time Equivalent City Government Employees by Function / Program (Unaudited)*****Last Ten Fiscal Years**

Function / Program	Full-Time Equivalent Employees as of June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government										
Management services	13.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	14.20	14.20
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	4.35	4.45	5.45	5.45
Building	4.75	3.75	3.75	3.75	3.75	3.75	3.75	3.00	4.00	4.00
Other	3.10	3.10	3.10	3.10	3.10	2.85	2.10	2.10	2.10	2.10
Police										
Officers	25.50	24.50	23.50	23.50	23.50	22.50	22.50	22.50	22.50	22.50
Civilians	1.50	1.50	1.00	1.00	1.00	1.00	1.00	1.00	2.00	6.50
Fire										
Firefighters and officers	32.00	30.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	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										
Other public works	17.50	17.50	17.50	17.10	17.10	16.50	16.50	16.50	15.50	15.00
Engineering	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Other	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00
Fleet										
Parks and recreation	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	4.50	4.50
Library	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80	13.55	13.50
Wastewater	12.45	11.95	11.95	11.95	11.95	11.95	11.95	11.95	11.95	11.95
Total	145.30	139.80	136.30	135.90	135.90	134.05	133.65	133.00	143.75	148.20

Source: Finance Department

## Operating Indicators by Function / Program (Unaudited)

## Last Ten Fiscal Years

Function / Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police (1)										
Physical arrests	256	228	225	255	291	307	259	335	362	109
Parking violations	2	8	9	18	41	18	39	34	29	9
Traffic violations	863	667	728	982	1,062	714	957	915	979	911
Fire (2)										
Emergency responses	974	1,991	1,883	1,883	2,122	2,028	1,827	1,870	1,574	1,362
Fires extinguished	24	25	36	14	22	20	51	79	44	38
Inspections	108	182	237	209	240	239	290	233	56	31
Refuse collection (3)										
Refuse collected (tons)	3,120	2,491	2,338	3,597	2,761	2,184	2,241	2,560	2,524	2,160
Recyclables collected (tons)	2,207	1,102	1,227	1,161	1,282	1,324	1,390	1,418	2,482	1,490
Other public works (3)										
Street resurfacing (tons)	3,317	3,461	1,764	4,350	2,524	2,991	2,645	2,481	3,315	3,910
Library (4)										
Volumes in collection	66,894	66,922	64,135	62,048	60,811	59,816	58,203	59,217	60,180	58,266
Total volumes borrowed	146,204	185,361	199,695	207,338	199,739	189,719	197,967	209,768	216,065	208,534
Wastewater (5)										
Sewer connections	5,004	4,943	4,910	4,816	4,782	4,816	4,805	4,803	4,876	4,871

101

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

## Capital Assets Statistics by Function/Program (Unaudited)

## Last Ten Fiscal Years

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police (1)										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	29	27	27	25	25	25	24	23	23	23
Fire stations (2)	2	2	2	2	2	2	2	2	2	2
Refuse collection (3)										
Collection trucks	4	4	4	4	4	4	3	3	3	3
Other public works (3)										
Street (miles)	56.7	54.6	55.3	55.1	55.1	55.1	55.1	55.0	54.6	53.2
Streetlights	577	577	580	575	575	574	574	574	574	561
Traffic signals	4	4	4	4	4	4	4	4	4	4
Park and recreation (4)										
Acreage	63	63	63	63	63	63	48	48	48	48
Playgrounds	4	4	4	4	3	3	3	3	3	3
Baseball / softball diamonds	6	6	6	6	4	4	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	1	1	1	1
Wastewater (5)										
Sanitary sewers (miles)	65	65	65	65	65	65	64	64	64	64
Storm sewers (miles)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34(*)	34(*)	32(*)	16
Schools (6)										
Schools	4	4	4	4	4	4	4	4	4	4
School buses	22	22	21	21	22	24	21	21	26	24

(\*) 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

**Report of Independent Auditor 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 of Council  
City of 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 30, 2017.

**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") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the *Specifications for Audits of Counties, Cities and Towns*.

### **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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cheney Bekant LLP*

Virginia Beach, Virginia

November 30, 2017

**Report of Independent Auditor 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  
City of Poquoson, Virginia

**Report 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 described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

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, 2017.

## **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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.

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

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.

*Cheney Bekant LLP*

Virginia Beach, Virginia  
November 30, 2017

**City of Poquoson, Virginia**

***Schedule of Expenditures of Federal Awards***

**Year Ended June 30, 2017**

	Grant Agency Number	Federal CFDA Number	Federal Expenditures
<b>Federal granting agency / recipient state agency</b>			
<b>Grant program/grant number</b>			
<b>U.S. Department of Agriculture</b>			
Pass through payments:			
Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
National School Breakfast Program	201616N109941 & 201717N109941	10.553	\$ 25,654
National School Lunch Program	201616N109941 & 201717N109941	10.555	<u>142,525</u>
			\$ 168,179
<b>U.S. Department of Defense</b>			
Promoting K-12 Student Achievement at Military-Connected Schools (Reading)	HE12541510024	12.556	147,245
Promoting K-12 Student Achievement at Military-Connected Schools (STEM)	HE12541610044	12.557	75,273
<b>U.S. Department of the Interior</b>			
Direct payments:			
Plum Tree Island Refuge		15.611	3,090
<b>U.S. Department of Justice</b>			
Pass through payments:			
Virginia Department of Criminal Justice:			
Byrne Justice Assistance Grant	15-Q1116L015	16.738	1,555
<b>U.S. Department of Transportation</b>			
Pass through payments:			
Department of Motor Vehicles:			
Highway Safety Cluster:			
Prevention Incentive (10/1/15-9/30/17) - Speed	SC-2016-56176-6376 & SC-2017-5297-6946	20.600	6,346
Alcohol Traffic Safety and Drunk Driving			
Prevention Incentive (10/1/15-9/30/17) - Alcohol	154AL-2016-56175-6375 & M60T-2017-57281-6930	20.607	5,683
Highway Planning and Construction:			
Tea 21 Grant		20.205	5,243
<b>U.S. Department of Education</b>			
Direct payments:			
Impact Aid		84.041	85,357
Pass through payments:			
Virginia Department of Education:			
Title I: Grants to Local Educational Agencies	S010A140046 & S010A150046	84.010	125,084
Title II: Improving Teacher Quality State Grants	S367A150044	84.367	41,896
Special Education (IDEA) Cluster:			
Title VI-B: Assistance to States for Education of Handicapped Children:			
Special Education Grants	H027A140107 & H027A150107	84.027	414,367
Preschool Handicapped	H173A150112	84.173	<u>13,118</u>
			427,485
Vocational Education-Basic Grants to States	V048A140046 & V048A150046	84.048	17,362
<b>U.S. Department of Homeland Security</b>			
Pass through payments:			
Virginia Department of Emergency Management			
Flood Mitigation Assistance	FMA-2014-001	97.029	2,850
FEMA Public Assistance	4024	97.036	6,515
Hazard Mitigation Grant	HMGP-4042-0011 & HMGP-4072-0002	97.039	732,651
Local Emergency Management Performance Grant	6889	97.042	<u>7,500</u>
			\$ 1,859,314

## ***City of Poquoson, Virginia***

### ***Notes to Schedule of Expenditures of Federal Awards***

---

#### **Year Ended June 30, 2017**

---

##### **1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Poquoson 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and 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, 2017, the food service organization had food commodities totaling \$26,149 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	\$ 771,433
School Board	1,087,881
Total federal awards reported in the basic financial statements	<u><u>\$ 1,859,314</u></u>

##### **4. Subrecipients**

The City does not have any subrecipients.

##### **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).

***City of Poquoson, Virginia***

***Schedule of Findings and Questioned Costs***

---

**Year Ended June 30, 2017**

---

**1) Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued on the financial statements:	<b>Unmodified</b>
Internal control over financial reporting:	
Material weaknesses identified:	<b>No</b>
Significant deficiencies identified:	<b>None reported</b>
Noncompliance material to the financial statements noted?	<b>No</b>

Federal Awards:

Type of auditor's report issued on compliance for major programs:	<b>Unmodified</b>
Internal control over major programs:	
Material weaknesses identified:	<b>No</b>

    Significant deficiencies identified:

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<b>No</b>
--	-----------

Identification of major federal programs:

<u>Name of Program</u>	<u>CFDA #</u>
Department of Education:	
Special Education Cluster	84.027/84.173
Department of Homeland Security:	
Hazard Mitigation Grant	97.039
Dollar threshold to distinguish between Types A and B Programs:	<b>\$750,000</b>
The City of Poquoson was qualified as a low risk auditee?	<b>No</b>

**2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

**3) Findings and Questioned Costs Relating to Federal Awards**

None

**4) Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants**

None

**5) Resolution of Prior Year's Findings**

**2016-001** Corrected

*This page left blank intentionally*