

CITY OF  
**POQUOSON**  
VIRGINIA



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**  
FISCAL YEAR JULY 1, 2017 – JUNE 30, 2018

*Comprehensive Annual  
Financial Report*

*City of Poquoson, Virginia*

*Fiscal Year Ended June 30, 2018*

*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  
Jeff Sylvia, Interim Commissioner of the Revenue  
D. Wayne Moore, City Attorney  
Graham Wilson, Assistant City Manager

**School Board**

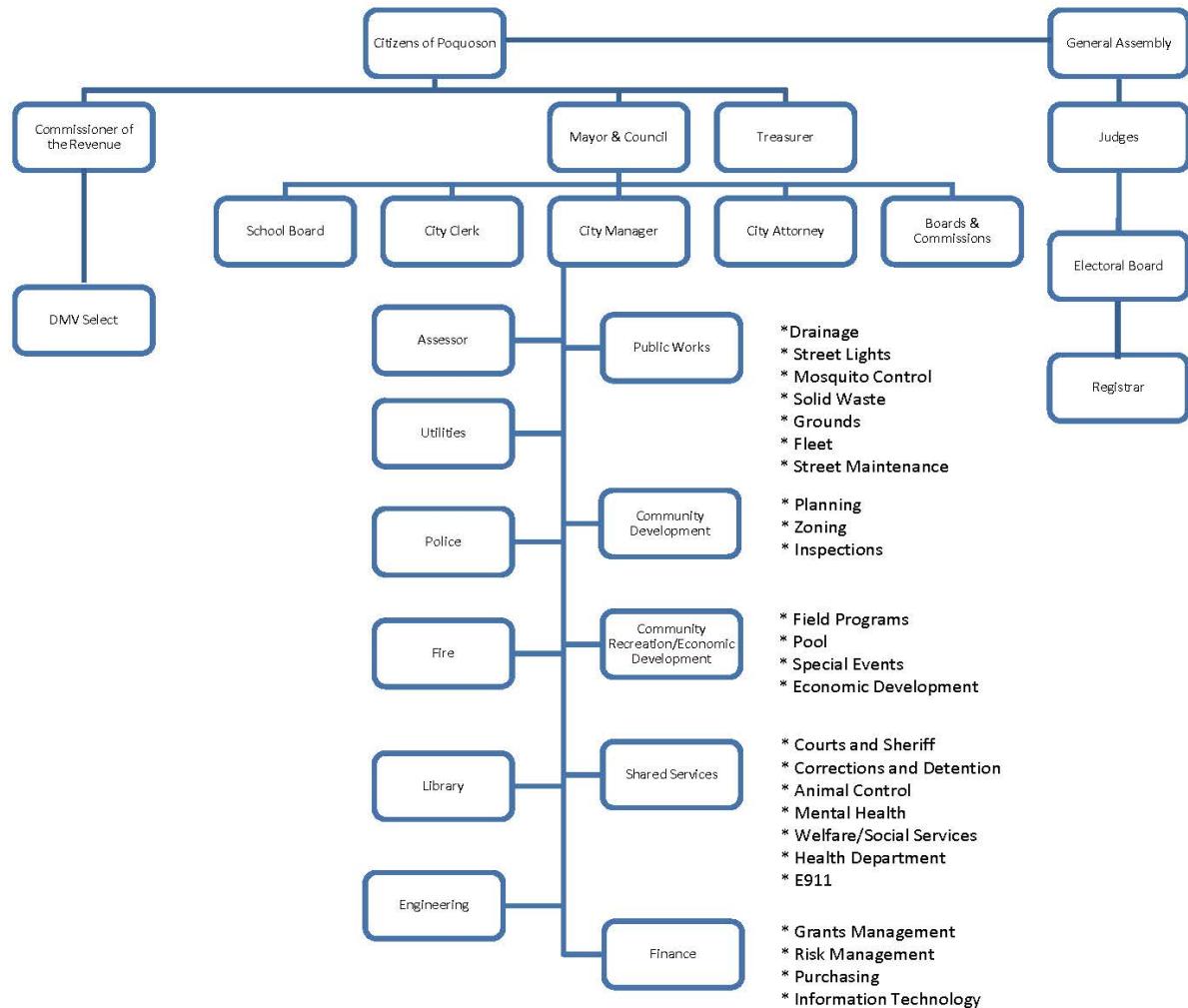
Garry Carter, Chairman  
Christina Helsel  
Wayne Holcomb  
Jeremy Jordan  
Jennifer Mosteller  
Michelle Sheeler, Vice Chair  
Michael Troutman

**School Officials**

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

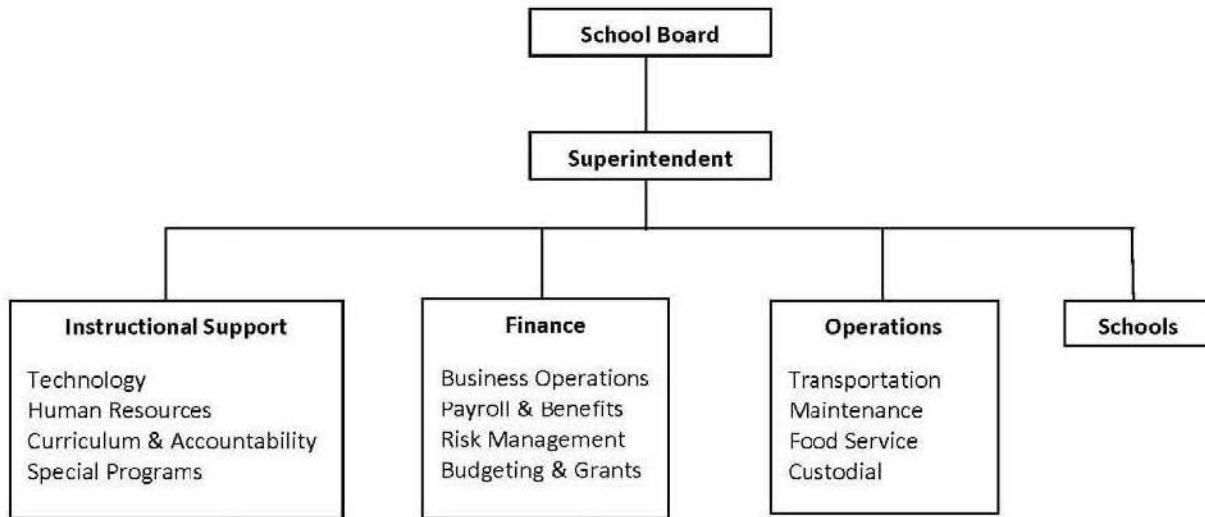
# CITY OF POQUOSON, VIRGINIA

## 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, 2017**

*Christopher P. Morrell*

Executive Director/CEO

***City of Poquoson, Virginia***  
***Comprehensive Annual Financial Report***  
***Fiscal Year Ended June 30, 2018***

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## **CITY OF POQUOSON**

**City Manager's Office**

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

November 8, 2018

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

We are pleased to submit to you the Comprehensive Annual Financial Report of the City of Poquoson, Virginia (City) for the fiscal year ended June 30, 2018. 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 accounting principles generally accepted in the United States of America (GAAP) and audited 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'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 has issued an unmodified opinion on the City's financial statements for the year ended June 30, 2018. 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 was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The audit is conducted in accordance with *Government Auditing Standards* and 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). These standards 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's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the City of Poquoson**

The City, 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, appropriating funds by state established categories and issuing debt relating to school projects. Local school boards do not have taxing or bond issuance authority.

The City 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 Poquoson City Public Schools (Schools) and the Economic Development Authority (EDA), both of which are reported separately within the City'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 30.

The annual budget serves as the foundation for the City's financial planning and control. All agencies and departments of the City 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 86 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 shoreline area of 87 miles, and according to The Weldon Cooper Center for Public Service, serves an estimated population of 12,311.

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 as of July 2018 has had a decrease from the prior year by 1.1% to 2.7%. The City's unemployment rate is below the current national average of 3.9% and the state average of 3.1% for the same period of time.

As part of the issuance of debt in June 2018, 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 2018 general obligation bonds.

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

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

### **Long-term Financial Planning**

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

### **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 new accounting standards. 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 19.3% 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**

The City continued its comprehensive outreach marketing campaign entitled "*Poquoson Is The Place*" to increase awareness of the City as a wonderful place to live and in which to do business. The campaign folder cites the City 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 seventh annual residential realtor event to continue to promote the campaign.

In fiscal years 2017 and 2018, several development projects were reported as approved with construction commencing in 2017 and expected to commence in 2018. Home construction continues in both the Village Park and Rubus Run (formerly named “Firth Lane Townhomes”) developments in the City’s central precinct. In mid-2018, all but 4 units are still under construction while approximately three-quarters have certificates of occupancy and of the 28 housing units in Rubus Run, 12 have certificates of occupancy and 16 are under construction.

Additionally, four building permits have been issued for single-family homes in the 10-lot Drake’s Landing Subdivision 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 submitted or approved. Once completed, the entire Fountains development, located in the City’s Village Commercial district, will yield five mixed-use structures and one stand-alone commercial building and 18 townhomes. The gross floor area of the proposed buildings is subject to change during the site plan review process.

The City has received two new developments: Quarter Creek Subdivision providing 32 homes and Wythe Creek Estates providing 19 homes and 1 new pump station, both in the central precinct. The City is still awaiting the submittal of the site plan for the Legacy of Poquoson. The redevelopment of a commercial site located at 834 Poquoson Avenue, known as Price Electric has been completed.

In 2014, the City accepted two Hazard Mitigation Grants from the Federal Emergency Management Agency through Virginia Department of Emergency Management to elevate homes in the City. These grants provide 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 fiscal year 2017 and 2018, the City was able to appropriate the funding and eleven homes have been elevated under these grants. Additionally in 2015, the City accepted a Flood Mitigation Assistance Grant which allowed the City to elevate one home under this grant during fiscal year 2018.

The City continues to work with the City of Hampton and the Virginia Department of Transportation on the Wythe Creek Road widening project. This project 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 during a flood event.

The City is currently developing several other road projects. These include a sidewalk extension along Poquoson Avenue that will help connect the Middle School campus to Municipal Park and traffic signal upgrades along the Wythe Creek Road corridor. The City is also seeking funding to enhance capacity on Victory Boulevard and is soliciting bids to repave a portion of Wythe Creek Road.

The City also completed work on breakwaters at Messick Point. The wave curtain-type walls installed reduces wave energy and produce calmer waters along portions of the shoreline and channel. The City repaired two breakwater walls damaged in Hurricane Matthew and began working on a new wall. The new project design is completed and an invitation for bids will be issued following the hurricane season. The new project will protect shoreline located downstream of the area covered by the existing breakwaters.

## Awards and Acknowledgements

In 2017, the City's Police Department 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 2018 Virginia Highway Safety Summit. In addition the City's Library was ranked 1<sup>st</sup> in circulation per capita and ranked 2<sup>nd</sup> in both library visits per capita and program attendance among the 15 public libraries in the Tidewater area. The City's Fire Department received a new rating of Class 2 by the Insurance Services Office (ISO) which assesses the readiness of the fire department by analyzing data across three categories of a department's capabilities of fire-fighting. The City was ranked 4<sup>th</sup> among Safest Places to Live in Virginia by the National Council for Home Safety and Security.

The Schools was once again fully accredited by the Virginian Board of Education, meaning the school division and each school met standards of learning benchmarks in reading, writing, math, science and attendance, and the high school met benchmarks for graduation and completion rates. Additionally, Poquoson City Public Schools and Poquoson Middle and High schools received the 2018 Board of Education Distinguished Achievement Award, and the Primary and Elementary Schools received the Board of Education's Excellence Award for 2018.

The Government Finance Officers Association (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the thirtieth 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.

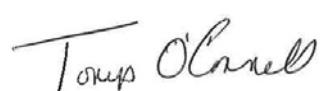
The City also received the GFOA's *Award for Distinguished Budget Presentation* for its Annual Adopted Budget for FY 2018. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, 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 Schools 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

## 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, 2018, 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, 2018, 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.

### ***Emphasis of Matter***

#### *Restatement*

As described in Note 18 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinions are not modified with respect to this matter.

## **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 GASB, 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 8, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Cheney Bekant LLP*

Virginia Beach, Virginia  
November 8, 2018



## **City of Poquoson, Virginia**

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

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# **Management's Discussion and Analysis**

## **Fiscal Year July 1, 2017 - June 30, 2018**

As management of the City of Poquoson, Virginia (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. 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 resources of the City exceeded its liabilities and deferred inflows of resources as of June 30, 2018 by \$29.5 million (net position). Of this amount, \$3.8 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 \$1.5 million. The unrestricted net position increased by \$0.8 million and a reclassification of the revenue stabilization reserve totaling \$0.6 million was updated to reflect the separate reserve over and above the unrestricted net position (unassigned fund balance).
- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$10.1 million, of which \$5.3 million is available to spend at the City's discretion.
- As of June 30, 2018, unassigned fund balance for the General Fund was \$5.3 million or 20.4% of total General Fund expenditures.
- The City's total debt outstanding at June 30, 2018 was \$27.9 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. A planned use of \$.03 million from fund balance was used to offset a portion of the debt service.

## Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, 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 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 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 uses enterprise funds to account for its Sewer Operations and Solid Waste Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's departments. The City uses an internal service fund to account for its fleet of vehicles. Because this service predominantly benefits governmental rather than business-type functions, the Fleet fund has been included within governmental activities in the government-wide financial statements.

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

**Fiduciary Funds.** The City is the trustee, or fiduciary, for certain donated funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes. The fiduciary funds include the Other Postemployment Benefits Trust Fund and the Friends of the Library, a party outside the City. These activities are reported in a separate Statement of Fiduciary Net Position. The City excludes this activity from its government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary 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 30-85 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 including financial information on the Poquoson Public School component unit. Supplementary information can be found on pages 104-111 of this report.

# Government-Wide Financial Analysis

## Summary of Statement of Net Position June 30, 2018

	Governmental Activities		Business-type Activities		Total	
	FY 2018	FY 2017*	FY 2018	FY 2017*	FY 2018	FY 2017*
Current and other assets	\$11,560,210	\$11,503,036	\$3,182,853	\$2,919,155	\$14,743,063	\$14,422,191
Capital assets	41,486,661	42,492,548	11,104,752	11,332,549	52,591,413	53,825,097
Total assets	53,046,871	53,995,584	14,287,605	14,251,704	67,334,476	68,247,288
Deferred outflows of resources	2,526,237	2,655,413	166,181	207,293	2,692,418	2,862,706
<b>Total assets and deferred outflows of resources</b>	<b>\$55,573,108</b>	<b>\$56,650,997</b>	<b>\$14,453,786</b>	<b>\$14,458,997</b>	<b>\$70,026,894</b>	<b>\$71,109,994</b>
Current and other liabilities	\$4,245,984	\$3,862,524	\$655,613	\$705,145	\$4,901,597	\$4,567,669
Long-term liabilities	27,766,143	31,220,763	5,998,591	6,587,411	33,764,734	36,734,205
	32,012,127	35,083,287	6,654,204	7,292,556	38,666,331	41,301,874
Deferred inflows of resources	1,753,913	674,060	70,316	27,940	1,824,229	702,000
<b>Total liabilities and deferred inflows of resources</b>	<b>\$33,766,040</b>	<b>\$35,757,347</b>	<b>\$6,724,520</b>	<b>\$7,320,496</b>	<b>\$40,490,560</b>	<b>\$43,477,530</b>
Net investment in capital assets	\$18,989,419	\$17,903,251	\$4,865,391	\$4,611,977	\$23,854,810	\$22,515,228
Restricted	1,873,326	1,997,619	-	-	1,873,326	1,997,619
Unrestricted	944,323	992,780	2,863,875	2,526,524	3,808,198	3,119,617
<b>Total net position</b>	<b>\$21,807,068</b>	<b>\$20,893,650</b>	<b>\$7,729,266</b>	<b>\$7,138,501</b>	<b>\$29,536,334</b>	<b>\$28,032,151</b>

\*Restated for the effects of GASB No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other than Pensions* (GASB 75)

Net position serves as a useful indicator of a government's financial position. The City's combined net position totals \$29.5 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 \$23.9 million. The City uses these capital assets to provide services to citizens; and thus these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. Total net assets of \$3.8 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 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 \$1.5 million during FY 2018. The governmental activities increased by \$.9 million and the business-type activities increased by \$.6 million. The increase in governmental activities is due to increase tax revenue, accrued interest, a land sale and the cost savings from vacant position. The increase of the net position of the business-type activities is due to less than expected expenses in the Sewer Fund and an increase in new development within the City.

**Summary of Changes in Net Position**  
**June 30, 2018**

	Governmental Activities		Business-type Activities		Total	
	FY 2018	FY 2017*	FY 2018	FY 2017*	FY 2018	FY 2017*
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$1,079,636	\$1,121,444	\$2,941,696	\$3,008,517	\$4,021,332	\$4,129,961
Operating grants and contributions	1,752,658	1,640,741	-	-	1,752,658	1,640,741
Capital grants and contributions	2,059,956	1,659,748	-	-	2,059,956	1,659,748
General revenues:						
Real estate and personal property taxes	19,693,437	18,898,464	-	-	19,693,437	18,898,464
Other local taxes	2,964,540	2,957,310	-	-	2,964,540	2,957,310
Personal property tax relief	1,923,431	1,923,431	-	-	1,923,431	1,923,431
Reimbursements from other agencies	139,561	137,731	-	-	139,561	137,731
Miscellaneous	548,204	86,193	9,280	331	557,484	86,524
Unrestricted investment earnings	283,557	251,622	35,208	35,973	318,765	287,595
<b>Total revenues</b>	<b>\$30,444,980</b>	<b>\$28,676,684</b>	<b>\$2,986,184</b>	<b>\$3,044,821</b>	<b>\$33,431,164</b>	<b>\$31,721,505</b>
<b>Expenses:</b>						
General government	4,152,443	4,807,345	-	-	4,152,443	4,807,345
Public safety and judicial	7,136,755	6,811,120	-	-	7,136,755	6,811,120
Public works	2,108,673	1,454,996	-	-	2,108,673	1,454,996
Health and welfare	1,303,164	1,228,244	-	-	1,303,164	1,228,244
Education	10,249,813	10,089,105	-	-	10,249,813	10,089,105
Parks, recreation, cultural	1,647,715	2,113,548	-	-	1,647,715	2,113,548
Economic Development Authority	5,000	-	-	-	5,000	-
Community development	2,046,826	1,611,496	-	-	2,046,826	1,611,496
Interest and fees on long-term debt	1,081,173	638,246	-	-	1,081,173	638,246
Sewer	-	-	1,439,188	1,488,407	1,439,188	1,488,407
Solid waste	-	-	756,231	806,210	756,231	806,210
<b>Total expenses</b>	<b>29,731,562</b>	<b>28,754,100</b>	<b>2,195,419</b>	<b>2,294,617</b>	<b>31,926,981</b>	<b>31,048,717</b>
<b>Change in net assets before transfers</b>	<b>713,418</b>	<b>(77,131)</b>	<b>790,765</b>	<b>750,204</b>	<b>1,504,183</b>	<b>672,788</b>
Transfers	200,000	195,833	(200,000)	(195,833)	-	-
<b>Increase in net position</b>	<b>913,418</b>	<b>118,417</b>	<b>590,765</b>	<b>554,371</b>	<b>1,504,183</b>	<b>672,788</b>
<b>Net position, beginning of year (restated)</b>	<b>20,893,650</b>	<b>20,775,233</b>	<b>7,138,501</b>	<b>6,584,130</b>	<b>28,032,151</b>	<b>27,359,363</b>
<b>Net position, end of year</b>	<b>\$21,807,068</b>	<b>\$20,893,650</b>	<b>\$7,729,266</b>	<b>\$7,138,501</b>	<b>\$29,536,334</b>	<b>\$28,032,251</b>

\*Restated due to cumulative effect of a change in accounting principles related to GASB 75

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

	<b>FY 2018</b>	<b>FY 2017</b>
Real estate tax revenue	\$16,608,963	\$16,000,774
Public service corporation taxes	253,698	222,993
Personal property taxes	2,706,240	2,531,679
Penalties and interest	124,536	143,018
<b>Total</b>	<b>\$19,693,437</b>	<b>\$18,898,464</b>

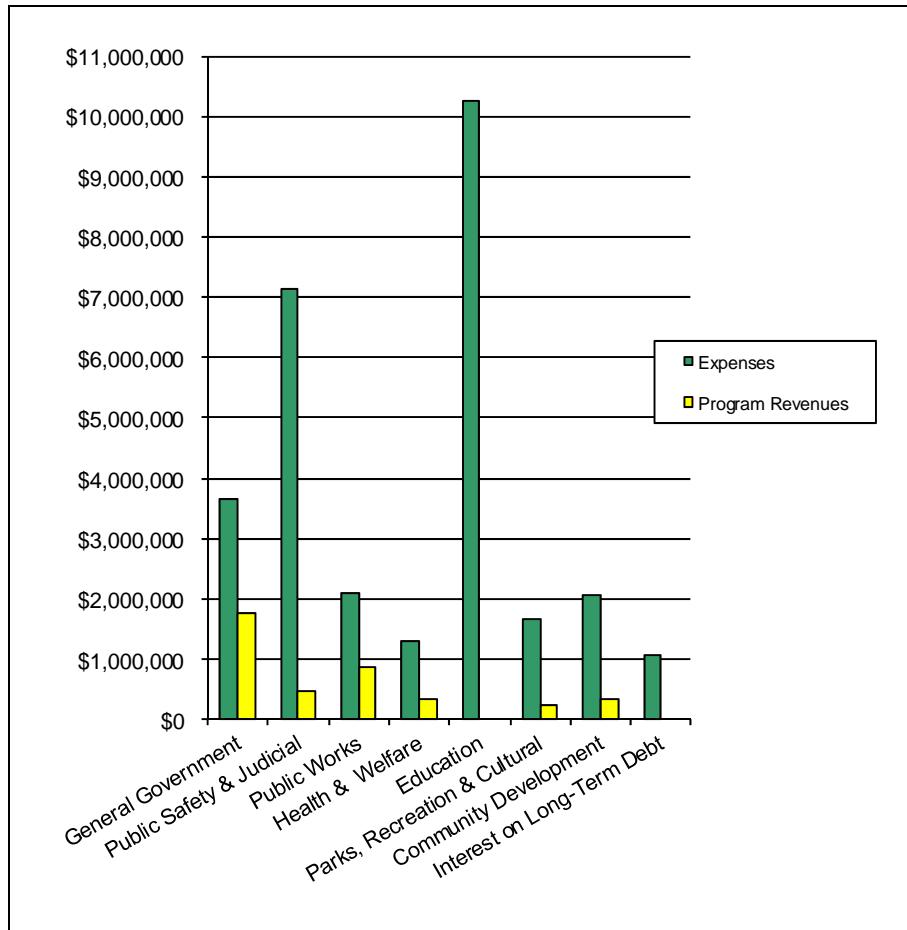
Real estate revenue was higher in FY 2018 as compared to FY 2017 due to a modest increase in development and reassessments of property at the beginning of fiscal year 2018. The City's real estate property tax assessments were \$1,582,741,600 and \$1,532,812,342 for FY 2018 and FY 2017, respectively. The City's real estate tax rate was \$1.07 per \$100 of assessed value per \$100 of assessed value in FY 2018 and FY 2017.

The City's personal property tax assessments were \$160,878,921 and \$153,090,100 for FY 2018 and FY 2017 respectively. In FY 2018 and FY 2017 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 2018 and FY 2017. In FY 2018 and FY 2017, 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 2018 and FY 2017.

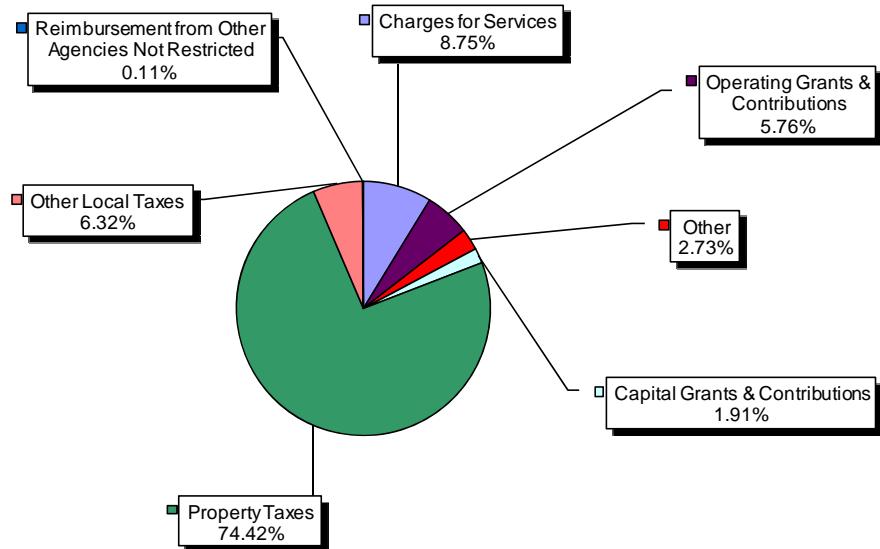
Other local taxes was \$2.9 million for both FY 2018 and FY 2017 and consisted of meals taxes, consumers' utilities taxes, franchise license taxes, motor vehicle license taxes and a variety of other taxes.

For FY 2018, expenses for governmental activities totaled \$29.7 million, including an expense of \$10.2 million to the component unit, Poquoson City School System. For FY 2017, expenses for governmental activities totaled \$27.7 million, including a net payment of \$10.1 million to the component unit, Poquoson City School System.

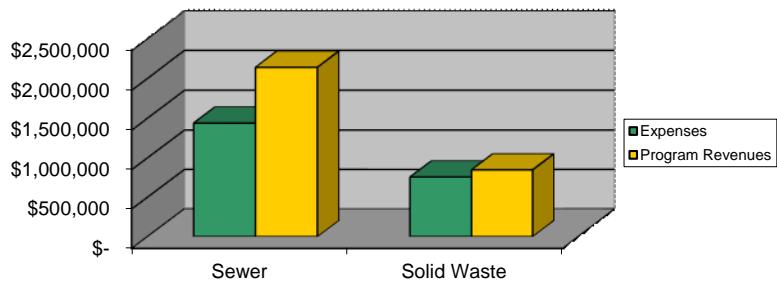
## Expenses and Program Revenues - Governmental Activities



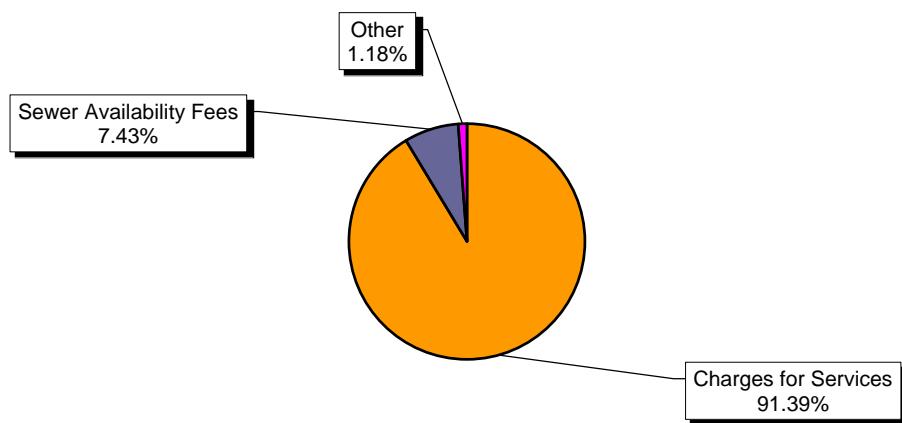
## Revenues by Sources - Governmental Activities



## Expense and Program Revenues - Business-type Activities



## Revenues by Source - Business-type Activities

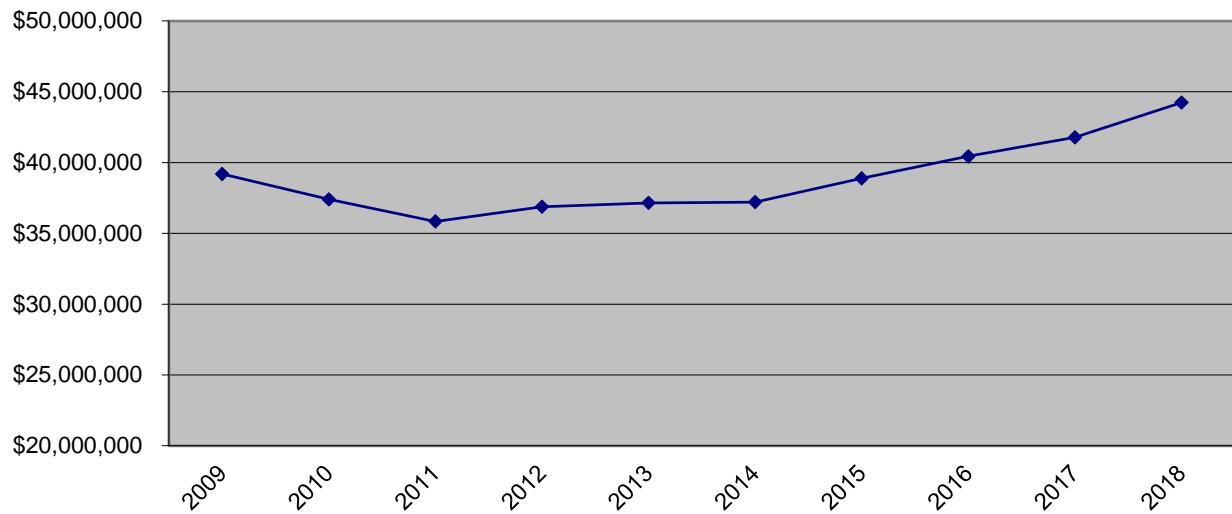


**Business-Type Activities.** Business-type activities increased the City's net position before transfers by \$.79 million and increased the net position by \$.59 million after transfers. This increase in net position can be attributable to a decrease in expenses and additional connections added.

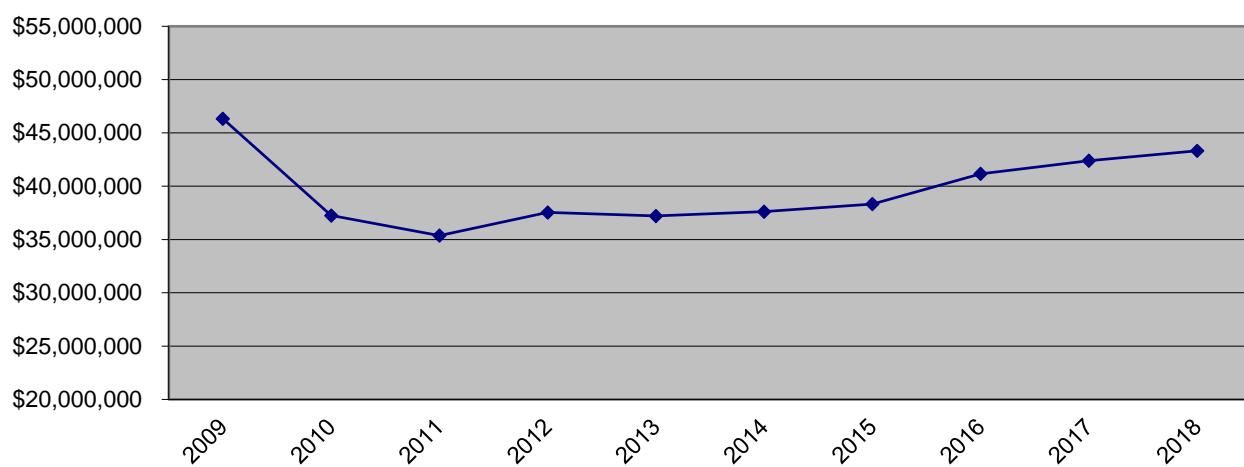
## Financial Analysis of the Government's Funds

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 along with the School's General and Special Revenue Funds.

### General Governmental Revenues



### General Governmental Expenditures



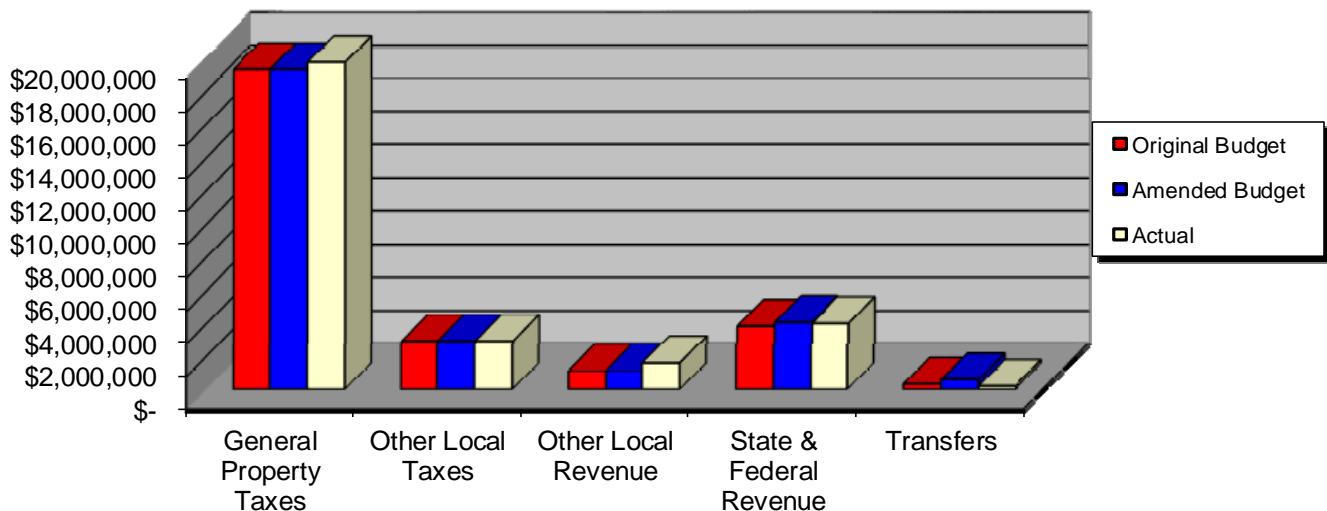
## General Fund Budgetary Highlights

The City uses fund accounting and budgeting to ensure and demonstrate compliance with finance-related legal requirements. The General Fund budgetary comparison to actual can be found on Exhibit K. The City records actual revenues and expenditures using accounting principles generally accepted in the United States of America (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 \$0.52 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.
- \$.17 million re-appropriation of restricted revenue received for the Police Department, Fire Department and Library.
- \$.12 million appropriation for various grants for public safety.
- \$.01 million appropriation for donations received for various departments.
- \$.14 million appropriation for additional costs for Children's Services Act.
- \$.06 million appropriation for various other expenses in general and administration.

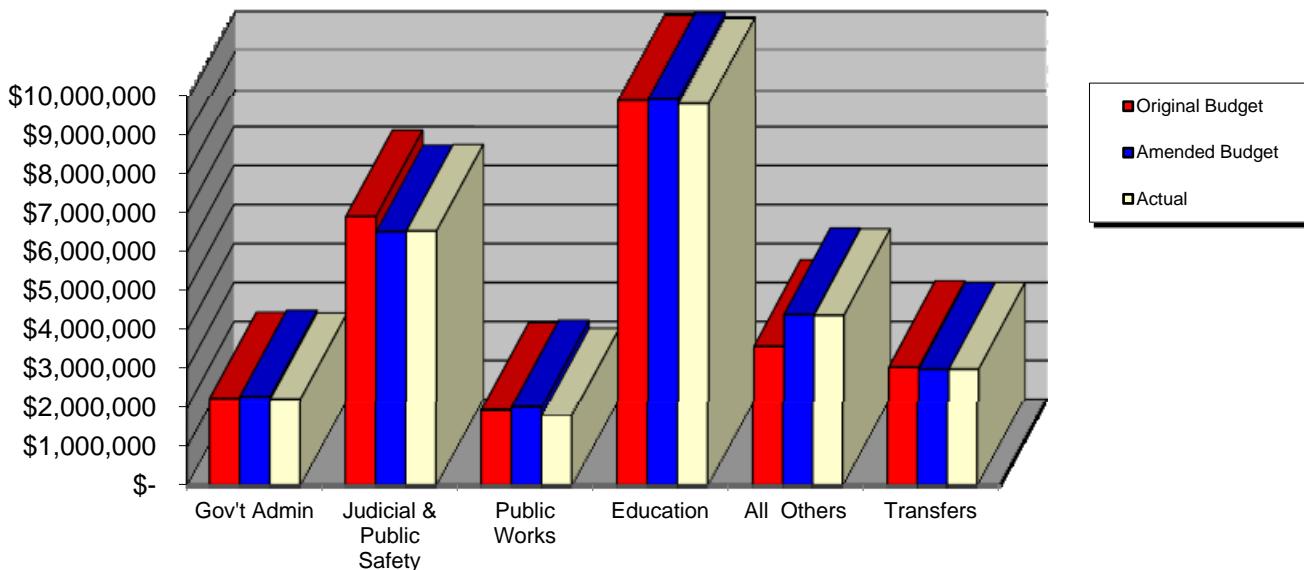
The charts on the following page show the original approved budget, the final amended budget, and actual amounts for both revenues and expenditures in the General Fund.

### General Fund Revenue Comparison of Budget to Actual



The City's actual General Fund revenues of \$28.6 million exceeded the original budget and the amended budget by \$.9 and \$.4 million, respectively. The City in FY 2018 received revenue for a sale of property at the end of the fiscal year which was not included in the budget. It should be noted that the City budgeted \$.3 for use of fund balance but not included in actual revenue.

### General Fund Expenditures Comparison of Budget to Actual



The City's actual General Fund expenditures and other financing uses of \$27.9 million were less than the amended budget by \$.4 million and slightly higher than the original budget by \$.1 million. The decrease in expenditures from the amended budget is a result of costs saving through departmental vacancies and reduction in operating expenditures.

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 GAAP. 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 2018, capital projects of \$1.4 million included renovation of high school track, school bus, phase one of the HVAC replacement at City Hall, improvements at Messick Point and reassessment software for the Assessor's office. 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, 2018, amounted to \$53 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 Schools 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 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Land	\$3,004,720	\$3,241,092	\$214,666	\$214,666	\$3,219,386	\$3,455,758
Construction in progress	1,069,430	685,126	28,918	30,165	1,098,348	715,291
Buildings	5,221,577	5,463,634	119,563	69,295	5,341,140	5,532,929
Infrastructure	7,368,381	7,542,544	-	-	7,368,381	7,542,544
Land Improvements	1,650,411	1,643,499	-	-	1,650,411	1,643,499
Machinery and equipment	2,101,376	2,147,222	453,362	305,681	2,554,738	2,452,903
Sewer system	-	-	10,278,243	10,705,742	10,278,243	10,705,742
Sewer easement	-	-	10,000	7,000	10,000	7,000
Allocated school buildings	21,070,766	21,769,431	-	-	21,070,766	21,769,431
<b>Total</b>	<b>\$41,486,661</b>	<b>\$42,492,548</b>	<b>\$11,104,752</b>	<b>\$11,332,549</b>	<b>\$52,591,413</b>	<b>\$53,825,097</b>

**Debt Administration.** Total outstanding general obligation debt at June 30, 2018 was \$27.9 million of which \$21.7 million is considered to be net direct tax supported debt. Included in the total debt are \$21.7 million in bonds and \$.02 million leases and \$.03 million in State Literary Loans. The remaining \$5.9 million are bonds for the sewer system that are essentially paid for by revenues in the Sewer Operations Fund. The net change in fund balance resulted in a planned decrease of \$.03 million to offset a portion of debt service for FY 2018.

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, 2018 debt limitation for the City is \$158.3 million, which is significantly in excess of the City's \$27.7 million outstanding net direct bonded debt.

**Net Direct Tax Supported Debt  
General Governmental Activities**

	<b>FY 2018</b>	<b>FY 2017</b>
Net direct bonded debt	\$21,984,586	\$23,919,586
Ratio of outstanding direct debt to assessed value	1.39%	1. 56%
Net debt per capita	\$1,786	\$1,909

More detailed information on the City'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 2019 budget was prepared with economic trends and factors within the City taken into account:

- The FY 2019 adopted budget increased the real estate tax rate by seven cents from \$1.07 per \$100 of assessed value to \$1.14 per \$100 of assessed value. The increased real estate tax rate will be utilized towards the two new City Council initiatives.
- The FY 2019 initiatives included the adoption of the Constrained Capital Improvement Plan (CCIP) which included a new debt service of approximately \$23 million and funding for a school resources officers program that includes two new positions within the Police Department. The real estate tax rate increase of six cents was adopted to provide the funding for the debt service that will support the CCIP and an increase of one cent was adopted to provide the support to the school resources officers program.
- The FY 2019 adopted budget additional had a modest increase for real estate tax based on new homes at the beginning of fiscal year 2018.
- The FY 2019 adopted budget continued the funding for the other postemployment benefits for eligible employees who retire from the City and the second contribution to the trust held by VACO/VML Pooled OPEB Trust.

- In FY 2019, expenditure increases included salary increases and related fringe benefits and health insurance.
- In FY 2019, adopted budget includes a net increase in the reserve for debt service fund of \$0.7 million for the anticipated debt service from the new funding for the constrained capital improvement plan and planned use of the reserve.
- In FY 2019, the Schools did not request additional local government support for its operational budget, therefore, the school contribution was budgeted at the same level as the prior year.

## **Requests for Information**

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

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

*Basic Financial Statements*

**Statement of Net Position****June 30, 2018**

	Primary Government				Component Units
	Governmental Activities	Business-type Activities	Total		
<b>Assets</b>					
Cash and investments	\$ 5,703,822	\$ 2,781,062	\$ 8,484,884	\$ 2,754,991	
Restricted cash and investments	1,873,326	-	1,873,326	304,256	
Property taxes receivable, net	386,633	-	386,633	-	
Other receivables, net	48,874	398,013	446,887	24,213	
Due from component units	124,184	-	124,184	-	
Notes receivable, component unit	1,709,587	-	1,709,587	-	
Due from other governmental units	1,591,634	-	1,591,634	379,832	
Inventory	3,697	2,760	6,457	29,056	
Notes receivable	118,453	1,018	119,471	-	
Capital assets					
Non-depreciable	4,074,150	246,584	4,320,734	2,943,037	
Depreciable, net	37,412,511	10,858,168	48,270,679	4,959,434	
<b>Total assets</b>	<b>53,046,871</b>	<b>14,287,605</b>	<b>67,334,476</b>	<b>11,394,819</b>	
<b>Deferred Outflows of Resources</b>					
Employer contributions subsequent to the measurement date - pension	527,590	21,412	549,002	1,887,742	
Employer contributions subsequent to the measurement date - OPEB	45,395	1,866	47,261	209,177	
Deferred pension proportionate share of contributions - pension	-	-	-	93,000	
Change of assumptions - pension	-	-	-	269,000	
Difference between expected and actual experience - OPEB	604,233	22,566	626,799	134,473	
Change in proportionate share - OPEB	13,461	539	14,000	4,000	
Deferred refunding costs	1,335,558	119,798	1,455,356	-	
<b>Total deferred outflows of resources</b>	<b>2,526,237</b>	<b>166,181</b>	<b>2,692,418</b>	<b>2,597,392</b>	
<b>Total assets and deferred outflows of resources</b>	<b>\$ 55,573,108</b>	<b>\$ 14,453,786</b>	<b>\$ 70,026,894</b>	<b>\$ 13,992,211</b>	
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 1,247,447	\$ 83,297	\$ 1,330,744	\$ 2,418,906	
Accrued interest	364,076	81,237	445,313	14,087	
Due to Primary Government	-	-	-	1,833,771	
Internal balances	52,000	(52,000)	-	-	
Noncurrent liabilities					
Due within one year	2,582,461	543,079	3,125,540	79,625	
Due in more than one year	23,843,996	5,845,370	29,689,366	299,542	
Net pension liability	1,446,502	58,703	1,505,205	18,251,000	
Net OPEB liability	2,475,645	94,518	2,570,163	3,086,093	
<b>Total liabilities</b>	<b>32,012,127</b>	<b>6,654,204</b>	<b>38,666,331</b>	<b>25,983,024</b>	
<b>Deferred Inflows of Resources</b>					
Difference between expected and actual experience - pension	744,774	30,226	775,000	683,000	
Difference between expected and actual experience - OPEB	9,617	387	10,004	22,000	
Changes of assumptions - pension	246,016	9,984	256,000	-	
Changes of assumptions - OPEB	304,190	11,483	315,673	127,566	
Deferred pension proportionate share of contributions - pension	-	-	-	182,000	
Net difference between projected and actual earnings on pension plan investments	426,684	17,316	444,000	1,338,000	
Net difference between projected and actual earnings on OPEB plan investments	22,632	920	23,552	40,000	
<b>Total deferred inflows of resources</b>	<b>1,753,913</b>	<b>70,316</b>	<b>1,824,229</b>	<b>2,392,566</b>	
<b>Net Position</b>					
Net investment in capital assets	18,989,419	4,865,391	23,854,810	6,192,884	
Restricted for:					
Capital projects	1,080,002	-	1,080,002	-	
Education	-	-	-	304,256	
Public safety	63,064	-	63,064	-	
Parks, recreation, and cultural	31,860	-	31,860	-	
Revenue stabilization	600,000	-	600,000	-	
Community development	98,400	-	98,400	-	
Unrestricted (deficit)	944,323	2,863,875	3,808,198	(20,880,519)	
<b>Total net position (deficit)</b>	<b>21,807,068</b>	<b>7,729,266</b>	<b>29,536,334</b>	<b>(14,383,379)</b>	
<b>Total liabilities, deferred inflows of resources, and net position (deficit)</b>	<b>\$ 55,573,108</b>	<b>\$ 14,453,786</b>	<b>\$ 70,026,894</b>	<b>\$ 13,992,211</b>	

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

## Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
Government activities								
General government and administration	\$ 4,152,443	\$ 179,790	\$ -	\$ -	\$ (3,972,653)	\$ -	\$ (3,972,653)	\$ -
Public safety and judicial	7,136,755	475,122	397,155	-	(6,264,478)	-	(6,264,478)	-
Public works	2,108,673	-	880,000	582,340	(646,333)	-	(646,333)	-
Health and welfare	1,303,164	-	321,388	-	(981,776)	-	(981,776)	-
Education	10,249,813	-	-	-	(10,249,813)	-	(10,249,813)	-
Parks, recreation, and cultural	1,647,715	77,252	148,077	-	(1,422,386)	-	(1,422,386)	-
Economic Development Authority	5,000	-	-	-	(5,000)	-	(5,000)	-
Community development	2,046,826	347,472	6,038	1,477,616	(215,700)	-	(215,700)	-
Interest and fees on long-term debt	1,081,173	-	-	-	(1,081,173)	-	(1,081,173)	-
<b>Total governmental activities</b>	<b>29,731,562</b>	<b>1,079,636</b>	<b>1,752,658</b>	<b>2,059,956</b>	<b>(24,839,312)</b>	<b>-</b>	<b>(24,839,312)</b>	<b>-</b>
Business-type activities								
Sewer	1,439,188	2,095,278	-	-	-	656,090	656,090	-
Solid waste	756,231	846,418	-	-	-	90,187	90,187	-
<b>Total business-type activities</b>	<b>2,195,419</b>	<b>2,941,696</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>746,277</b>	<b>746,277</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 31,926,981</b>	<b>\$ 4,021,332</b>	<b>\$ 1,752,658</b>	<b>\$ 2,059,956</b>	<b>(24,839,312)</b>	<b>746,277</b>	<b>(24,093,035)</b>	<b>-</b>
<b>Component Units</b>								
Poquoson Public Schools	\$ 22,615,033	\$ 769,811	\$ 10,623,304	\$ -	-	-	-	(11,221,918)
Economic Development Authority	58,422	24,023	-	-	-	-	-	(34,399)
<b>Total component units</b>	<b>\$ 22,673,455</b>	<b>\$ 793,834</b>	<b>\$ 10,623,304</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,256,317)</b>
<b>General Revenues</b>								
Real estate and personal property taxes					19,693,437	-	19,693,437	-
Other local taxes					2,964,540	-	2,964,540	2,352,259
Personal property tax relief from Commonwealth of Virginia					1,923,431	-	1,923,431	-
Payments from the City of Poquoson					-	-	-	9,858,778
Reimbursements from other agencies not restricted to specific programs					139,561	-	139,561	-
Miscellaneous					548,204	9,280	557,484	-
Unrestricted investment earnings					283,557	35,208	318,765	-
<b>Transfers</b>					200,000	(200,000)	-	-
<b>Total general revenues, transfers, and miscellaneous</b>	<b></b>	<b></b>	<b></b>	<b></b>	<b>25,752,730</b>	<b>(155,512)</b>	<b>25,597,218</b>	<b>12,211,037</b>
<b>Change in net position</b>					913,418	590,765	1,504,183	954,720
<b>Net position (deficit), beginning of year (restated - Note 18)</b>	<b></b>	<b></b>	<b></b>	<b></b>	<b>20,893,650</b>	<b>7,138,501</b>	<b>28,032,151</b>	<b>(15,338,099)</b>
<b>Net position (deficit), end of year</b>	<b></b>	<b></b>	<b></b>	<b></b>	<b>\$ 21,807,068</b>	<b>\$ 7,729,266</b>	<b>\$ 29,536,334</b>	<b>\$ (14,383,379)</b>

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

**Balance Sheet - Governmental Funds****June 30, 2018**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 4,805,035	\$ 389,674	\$ 473,227	\$ 5,667,936
Restricted cash and investments	793,324	-	1,080,002	1,873,326
Property taxes receivable, net	386,633	-	-	386,633
Other receivables	48,748	-	-	48,748
Notes receivable	118,453	-	-	118,453
Due from component units	124,184	-	-	124,184
Notes receivable, component unit	1,709,587	-	-	1,709,587
Due from other governmental units	1,591,634	-	-	1,591,634
<b>Total assets</b>	<b>\$ 9,577,598</b>	<b>\$ 389,674</b>	<b>\$ 1,553,229</b>	<b>\$ 11,520,501</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,014,664	\$ -	\$ 196,838	\$ 1,211,502
Due to sewer fund	52,000	-	-	52,000
<b>Total liabilities</b>	<b>1,066,664</b>	<b>-</b>	<b>196,838</b>	<b>1,263,502</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	178,304	-	-	178,304
<b>Fund Balances</b>				
Fund balances:				
Nonspendable	1,828,040	-	-	1,828,040
Restricted	793,324	-	1,080,002	1,873,326
Assigned	367,729	389,674	276,389	1,033,792
Unassigned	5,343,537	-	-	5,343,537
<b>Total fund balances</b>	<b>8,332,630</b>	<b>389,674</b>	<b>1,356,391</b>	<b>10,078,695</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 9,577,598</b>	<b>\$ 389,674</b>	<b>\$ 1,553,229</b>	<b>\$ 11,520,501</b>

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

**Balance Sheet - Governmental Funds****June 30, 2018****Reconciliation of Balance Sheet - Governmental Funds  
to Statement of Net Position**

<b>Total fund balances - governmental funds</b>	\$ 10,078,695
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.	41,477,338
Deferred outflows of resources for pension and OPEB contributions used in governmental activities are not financial resources and, therefore, are not reported in the funds.	557,600
Deferred outflows of resources for changes in proportionate share of net OPEB liability and net difference between projected and actual experience on OPEB plan investments are not financial resources and, therefore, are not reported in the funds.	601,028
Deferred outflows of resources for gain/loss on refunding in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,335,558
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.	178,304
Other liabilities not paid from current period revenues are not reported in funds for:	
Accrued interest	(364,076)
Accrued compensated absences	(633,179)
Net pension liability	(1,407,818)
Net OPEB liability	(2,408,343)
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.	(25,770,712)
Deferred inflows of resources for net difference between expected and actual experience on pension plan investments, net difference between projected and actual earnings on pension plan investments, and changes of assumptions are not due and payable in the current period and, therefore, is not reported in the funds.	(1,378,612)
Deferred inflows of resources for net difference between projected and actual earnings on OPEB plan investments, net difference between expected and actual experience on OPEB plan investments, and changes of assumptions are not due and payable in the current period and, therefore, is not reported in the funds.	(328,261)
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.	(130,454)
<b>Total net position - governmental activities</b>	<u>\$ 21,807,068</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, 2018**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>Revenues</b>				
General property taxes	\$19,764,234	\$ -	\$ -	\$ 19,764,234
Other local taxes	2,964,540	-	-	2,964,540
Permits, privilege fees, and regulatory licenses	119,995	-	-	119,995
Fines and forfeitures	42,695	-	-	42,695
Use of money and property	283,557	-	-	283,557
Charges for services	758,409	-	-	758,409
Intergovernmental	5,451,803	-	582,340	6,034,143
Miscellaneous	516,539	-	7,245	523,784
<b>Total revenues</b>	<b>29,901,772</b>	<b>-</b>	<b>589,585</b>	<b>30,491,357</b>
<b>Expenditures</b>				
General government administration	2,367,377	-	-	2,367,377
Public safety and judicial	7,082,765	-	-	7,082,765
Public works	1,800,787	-	-	1,800,787
Health and welfare	1,308,293	-	-	1,308,293
Parks, recreation, and cultural	1,673,714	-	-	1,673,714
Community development	2,088,168	-	-	2,088,168
Nondepartmental	119,940	-	-	119,940
Education	9,853,778	-	-	9,853,778
Economic Development Authority	5,000	-	-	5,000
Capital outlay	-	-	1,360,988	1,360,988
Debt service				
Principal retirement	-	1,935,000	65,899	2,000,899
Interest and fiscal charges	-	1,000,581	4,521	1,005,102
<b>Total expenditures</b>	<b>26,299,822</b>	<b>2,935,581</b>	<b>1,431,408</b>	<b>30,666,811</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,601,950</b>	<b>(2,935,581)</b>	<b>(841,823)</b>	<b>(175,454)</b>
<b>Other financing sources (uses)</b>				
Capital lease	-	-	167,000	167,000
Transfers in	200,000	2,902,671	40,000	3,142,671
Transfers out	(2,942,671)	-	-	(2,942,671)
<b>Total other financing sources (uses), net</b>	<b>(2,742,671)</b>	<b>2,902,671</b>	<b>207,000</b>	<b>367,000</b>
<b>Net change in fund balances</b>	<b>859,279</b>	<b>(32,910)</b>	<b>(634,823)</b>	<b>191,546</b>
<b>Fund balances, beginning of year</b>	<b>7,473,351</b>	<b>422,584</b>	<b>1,991,214</b>	<b>9,887,149</b>
<b>Fund balances, end of year</b>	<b>\$ 8,332,630</b>	<b>\$ 389,674</b>	<b>\$ 1,356,391</b>	<b>\$ 10,078,695</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, 2018****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>	\$ 191,546
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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.

	(70,797)
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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	984,576
Depreciation expense	(1,752,100)
Disposal and transfers of capital assets	(236,372)

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	(167,000)
Deferred refunding charge, net	(148,413)
Repayment of debt principal	2,306,367

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	(233,126)
Compensated absences	42,579
Pension cost	657,288
OPEB expense	(685,550)

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.

	24,420
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<b>Change in net position - governmental activities</b>	<b>\$ 913,418</b>
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The accompanying notes are an integral part of the basic financial statements.

**Statement of Net Position - Proprietary Funds****June 30, 2018**

	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	\$ 2,585,151	\$ 195,911	\$ 2,781,062	\$ 35,886	
Accounts receivable	262,466	135,547	398,013	126	
Note receivable	1,018	-	1,018	-	
Due from General Fund	52,000	-	52,000	-	
Inventory	-	2,760	2,760	3,697	
<b>Total current assets</b>	<b>2,900,635</b>	<b>334,218</b>	<b>3,234,853</b>	<b>39,709</b>	
<b>Noncurrent assets</b>					
Capital assets					
Land	217,666	-	217,666	-	
Construction in progress	28,918	-	28,918	-	
Buildings	123,549	18,966	142,515	41,742	
Sewer system	22,541,590	-	22,541,590	-	
Equipment	1,062,641	438,320	1,500,961	51,795	
Less accumulated depreciation	(12,919,189)	(407,709)	(13,326,898)	(84,214)	
<b>Total capital assets, net</b>	<b>11,055,175</b>	<b>49,577</b>	<b>11,104,752</b>	<b>9,323</b>	
<b>Total assets</b>	<b>13,955,810</b>	<b>383,795</b>	<b>14,339,605</b>	<b>49,032</b>	
<b>Deferred outflows of resources</b>					
Employer contributions subsequent to the measurement date - pension	17,843	3,569	21,412	14,109	
Employer contributions subsequent to the measurement date - OPEB	1,542	324	1,866	1,276	
Difference between expected and actual experience - OPEB	20,686	1,880	22,566	16,298	
Change in proportionate share - OPEB	445	94	539	368	
Deferred refunding costs	119,798	-	119,798	-	
<b>Total deferred outflows of resources</b>	<b>160,314</b>	<b>5,867</b>	<b>166,181</b>	<b>32,051</b>	
<b>Total assets and deferred outflows of resources</b>	<b>\$ 14,116,124</b>	<b>\$ 389,662</b>	<b>\$ 14,505,786</b>	<b>\$ 81,083</b>	
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	\$ 19,203	\$ 52,841	\$ 72,044	\$ 28,455	
Accrued payroll	8,659	2,594	11,253	7,490	
Accrued interest	81,237	-	81,237	-	
Compensated absences	2,551	378	2,929	2,257	
Bonds payable	540,150	-	540,150	-	
<b>Total current liabilities</b>	<b>651,800</b>	<b>55,813</b>	<b>707,613</b>	<b>38,202</b>	
<b>Noncurrent liabilities</b>					
Compensated absences	22,956	3,405	26,361	20,309	
Bonds payable	5,819,009	-	5,819,009	-	
Net pension liability	48,919	9,784	58,703	38,684	
Net OPEB liability	84,417	10,101	94,518	67,302	
<b>Total noncurrent liabilities</b>	<b>5,975,301</b>	<b>23,290</b>	<b>5,998,591</b>	<b>126,295</b>	
<b>Total liabilities</b>	<b>6,627,101</b>	<b>79,103</b>	<b>6,706,204</b>	<b>164,497</b>	
<b>Deferred inflows of resources</b>					
Differences between expected and actual experience - pension	25,188	5,038	30,226	19,918	
Differences between expected and actual experience - OPEB	319	68	387	264	
Changes of assumptions - pension	8,320	1,664	9,984	7,533	
Changes of assumptions - OPEB	10,400	1,083	11,483	7,284	
Net difference between projected and actual earnings on plan investments - pension	14,430	2,886	17,316	11,411	
Net difference between projected and actual earnings on plan investments - OPEB	760	160	920	630	
<b>Total deferred inflows of resources</b>	<b>59,417</b>	<b>10,899</b>	<b>70,316</b>	<b>47,040</b>	
<b>Total liabilities and deferred inflows of resources</b>	<b>6,686,518</b>	<b>90,002</b>	<b>6,776,520</b>	<b>211,537</b>	
<b>Net position</b>					
Net investment in capital assets	4,815,814	49,577	4,865,391	9,323	
Unrestricted (deficit)	2,613,792	250,083	2,863,875	(139,777)	
<b>Total net position (deficit)</b>	<b>7,429,606</b>	<b>299,660</b>	<b>7,729,266</b>	<b>(130,454)</b>	
<b>Total liabilities, deferred inflows of resources, and net position (deficit)</b>	<b>\$ 14,116,124</b>	<b>\$ 389,662</b>	<b>\$ 14,505,786</b>	<b>\$ 81,083</b>	

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

**Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds****Year Ended June 30, 2018**

	Business-type Activities			Governmental
	Sewer Operation	Solid Waste	Total	Activities - Internal Service Funds
<b>Operating revenues</b>				
Charges for services	\$ 1,873,278	\$ 846,418	\$ 2,719,696	\$ 754,958
Miscellaneous	544	135	679	-
<b>Total operating revenues</b>	<b>1,873,822</b>	<b>846,553</b>	<b>2,720,375</b>	<b>754,958</b>
<b>Operating expenses</b>				
Personnel services	302,916	87,701	390,617	258,538
Contractual services	159,424	201,744	361,168	78,107
Materials and supplies	26,711	28,663	55,374	375,409
Utilities	81,269	111	81,380	3,527
Depreciation and amortization	621,811	12,963	634,774	1,991
Other charges	26,991	3,134	30,125	12,966
Waste disposal	-	421,915	421,915	-
<b>Total operating expenses</b>	<b>1,219,122</b>	<b>756,231</b>	<b>1,975,353</b>	<b>730,538</b>
<b>Operating income</b>	<b>654,700</b>	<b>90,322</b>	<b>745,022</b>	<b>24,420</b>
<b>Nonoperating revenues (expenses)</b>				
Interest income	35,208	-	35,208	-
Interest and fiscal charges	(220,066)	-	(220,066)	-
Gain on sale of equipment	8,601	-	8,601	-
Sewer availability fees	222,000	-	222,000	-
<b>Nonoperating revenues, net</b>	<b>45,743</b>	<b>-</b>	<b>45,743</b>	<b>-</b>
<b>Income before transfers</b>	<b>700,443</b>	<b>90,322</b>	<b>790,765</b>	<b>24,420</b>
<b>Transfers</b>				
Transfers out	(150,000)	(50,000)	(200,000)	-
<b>Transfers</b>	<b>(150,000)</b>	<b>(50,000)</b>	<b>(200,000)</b>	<b>-</b>
<b>Change in net position</b>	<b>550,443</b>	<b>40,322</b>	<b>590,765</b>	<b>24,420</b>
<b>Net position, beginning of year, restated (Note 18)</b>	<b>6,879,163</b>	<b>259,338</b>	<b>7,138,501</b>	<b>(154,874)</b>
<b>Net position, end of year</b>	<b>\$ 7,429,606</b>	<b>\$ 299,660</b>	<b>\$ 7,729,266</b>	<b>\$ (130,454)</b>

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

**Statement of Cash Flows - Proprietary Funds****Year Ended June 30, 2018**

	Business-type Activities			
	Sewer Operation	Solid Waste	Total	Internal Service Funds
<b>Cash flows from operating activities</b>				
Received from customers and users	\$ 1,840,058	\$ 835,861	\$ 2,675,919	\$ 755,087
Payments to suppliers for goods and services	(282,285)	(669,851)	(952,136)	(456,639)
Payments to employees	(308,033)	(91,293)	(399,326)	(262,562)
<b>Net cash provided by operating activities</b>	<b>1,249,740</b>	<b>74,717</b>	<b>1,324,457</b>	<b>35,886</b>
<b>Cash flows from noncapital financing activities</b>				
Transfers to other funds	(202,000)	(50,000)	(252,000)	-
<b>Cash flows from capital and related financing activities</b>				
Principal paid on capital debt	(469,998)	-	(469,998)	-
Sewer availability fees	222,000	-	222,000	-
Interest paid on capital debt	(240,069)	-	(240,069)	-
Disposal of capital assets	2,501	-	2,501	-
Gain on sale of equipment	8,601	-	8,601	-
Acquisition and construction of capital assets	(409,478)	-	(409,478)	-
<b>Net cash used in capital and related financing activities</b>	<b>(886,443)</b>	<b>-</b>	<b>(886,443)</b>	<b>-</b>
<b>Cash flows from investing activities</b>				
Interest received	35,208	-	35,208	-
<b>Net increase in cash and investments</b>	<b>196,505</b>	<b>24,717</b>	<b>221,222</b>	<b>35,886</b>
<b>Cash and investments, beginning of year</b>	<b>2,388,646</b>	<b>171,194</b>	<b>2,559,840</b>	<b>-</b>
<b>Cash and investments, end of year</b>	<b>\$ 2,585,151</b>	<b>\$ 195,911</b>	<b>\$ 2,781,062</b>	<b>\$ 35,886</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income	\$ 654,700	\$ 90,322	\$ 745,022	\$ 24,420
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	621,811	12,963	634,774	1,991
Pension expense	(25,492)	(4,595)	(30,087)	(26,322)
OPEB expense	24,142	2,096	26,238	25,567
Changes in assets and liabilities:				
Receivables, net	(33,764)	(10,692)	(44,456)	129
Inventories	-	1,980	1,980	6,449
Accounts payable and accrued liabilities	12,110	(16,264)	(4,154)	6,921
Accrued compensated absences	(1,239)	936	(303)	2,745
Accrued payroll	(2,528)	(2,029)	(4,557)	(6,014)
<b>Net cash provided by operating activities</b>	<b>\$ 1,249,740</b>	<b>\$ 74,717</b>	<b>\$ 1,324,457</b>	<b>\$ 35,886</b>

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

***Statement of Fiduciary Net Position*****June 30, 2018**

	Other	Postemployment	Library
		Benefits Trust	Agency
		Fund	Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 68,366	\$ 20,848	
Investments in pooled funds	25,238		-
<b>Total assets</b>	<b>\$ 93,604</b>	<b>\$ 20,848</b>	
<b>Liabilities</b>			
Amounts held for others	\$ -	\$ 20,848	
Advance payments	8,456		-
<b>Total liabilities</b>	<b>\$ 8,456</b>	<b>\$ 20,848</b>	
<b>Net Position</b>			
Restricted for postemployment benefits other than pensions		85,148	
		<b>\$ 85,148</b>	

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

***Statement of Changes in Fiduciary Net Position -***  
***Other Postemployment Benefits Trust Fund***

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**Year Ended June 30, 2018**

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	Other Postemployment Benefits Trust Fund
<b>Additions</b>	
Contributions	\$ 177,080
Interest income	238
Total additions	<hr/> \$ 177,318
<b>Deductions</b>	
Retirement benefits	\$ 92,170
Total deductions	<hr/> \$ 92,170
Change in net position	\$ 85,148
Total net position, beginning of year	-
Total net position, end of year	<hr/> \$ 85,148

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

## Combining Statement of Net Position - Component Units

June 30, 2018

	Poquoson City Public Schools	Economic Development Authority	Total
<b>Assets</b>			
Cash and cash equivalents, net	\$ 2,754,991	\$ -	\$ 2,754,991
Restricted cash and cash equivalents	304,256	-	304,256
Due from other governments	379,832	-	379,832
Other receivables	24,213	-	24,213
Inventory	29,056	-	29,056
Capital assets			
Non-depreciable	450,876	2,492,161	2,943,037
Depreciable, net	4,853,371	106,063	4,959,434
<b>Total assets</b>	<b>8,796,595</b>	<b>2,598,224</b>	<b>11,394,819</b>
<b>Deferred Outflows of Resources</b>			
Employer pension contributions subsequent to the measurement date	1,887,742	-	1,887,742
Employer OPEB contributions subsequent to the measurement date	209,177	-	209,177
Change of assumptions - pension	269,000	-	269,000
Net differences between expected and actual experience - OPEB	134,473	-	134,473
Deferred pension proportionate share of contributions - pension	93,000	-	93,000
Deferred pension proportionate share of contributions - OPEB	4,000	-	4,000
<b>Total deferred outflows of resources</b>	<b>2,597,392</b>	<b>-</b>	<b>2,597,392</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 11,393,987</b>	<b>\$ 2,598,224</b>	<b>\$ 13,992,211</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 2,414,671	\$ 4,235	\$ 2,418,906
Accrued interest	-	14,087	14,087
Due to Primary Government	124,184	1,709,587	1,833,771
Noncurrent liabilities			
Due within one year	79,625	-	79,625
Due in more than one year	299,542	-	299,542
Net pension liability	18,251,000	-	18,251,000
Net OPEB liability	3,086,093	-	3,086,093
<b>Total liabilities</b>	<b>24,255,115</b>	<b>1,727,909</b>	<b>25,983,024</b>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	1,338,000	-	1,338,000
Net difference between projected and actual earnings on OPEB plan investments	40,000	-	40,000
Net differences between expected and actual experience - OPEB	22,000	-	22,000
Net differences between expected and actual experience - pension	683,000	-	683,000
Deferred pension proportionate share of contributions - pension	182,000	-	182,000
Change of assumptions - OPEB	127,566	-	127,566
<b>Total deferred inflows of resources</b>	<b>2,392,566</b>	<b>-</b>	<b>2,392,566</b>
<b>Net Position</b>			
Net investment in capital assets	5,304,247	888,637	6,192,884
Restricted	304,256	-	304,256
Unrestricted (deficit)	(20,862,197)	(18,322)	(20,880,519)
<b>Total net position (deficit)</b>	<b>(15,253,694)</b>	<b>870,315</b>	<b>(14,383,379)</b>
<b>Total liabilities, deferred inflows of resources, and net position (deficit)</b>	<b>\$ 11,393,987</b>	<b>\$ 2,598,224</b>	<b>\$ 13,992,211</b>

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

**Combining Statement of Activities - Component Units****Year Ended June 30, 2018**

	Net Revenues (Expenses) and						
	Program Revenues			Changes in Net Position			
	Charges for Expenses	Operating Services	Grants and Contributions	Capital Contributions	Poquoson City Public Schools	Economic Development Authority	Total
<b>Poquoson City Public Schools</b>							
Education	\$ 22,615,033	\$ 769,811	\$ 10,623,304	\$ -	\$ (11,221,918)	\$ -	\$ (11,221,918)
<b>Economic Development Authority</b>							
Economic Development	58,422	24,023	-	-	-	(34,399)	(34,399)
<b>Total component units</b>	<b>\$ 22,673,455</b>	<b>\$ 793,834</b>	<b>\$ 10,623,304</b>	<b>\$ -</b>	<b>(11,221,918)</b>	<b>(34,399)</b>	<b>(11,256,317)</b>
<b>General revenues</b>							
Sales tax				2,352,259	-	2,352,259	
City of Poquoson				9,853,778	5,000	9,858,778	
<b>Total general revenues</b>				<b>12,206,037</b>	<b>5,000</b>	<b>12,211,037</b>	
<b>Change in net position</b>							
<b>Net position, beginning of year (restated - Note 18)</b>				984,119	(29,399)	954,720	
<b>Net position, end of year</b>				<b>(16,237,813)</b>	<b>899,714</b>	<b>(15,338,099)</b>	
				<b>\$ (15,253,694)</b>	<b>\$ 870,315</b>	<b>\$ (14,383,379)</b>	

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

## *City of Poquoson, Virginia*

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

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**June 30, 2018**

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

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

##### **Financial Reporting Entity**

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

The reporting entity of the City has been determined in accordance with 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 (Primary Government) and its discretely presented component units, the Poquoson City Public Schools (Schools), 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 Schools are responsible for elementary and secondary education in the City. The members of the School Board are appointed by the City Council. The Schools are 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 Schools facilities and to provide funding for the operations. Therefore, the Schools are 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 Schools 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 Schools does not issue separate financial statements.

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

The entities described in Note 14, Related Party Transactions, are excluded from the City's 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. Fiduciary funds are not included in the government-wide financial statements since they are used to report assets held in trust for others and, therefore, cannot be used to support the City's own programs.

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary financial statements. 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, therefore, have been recognized as revenues of the current fiscal period. All revenue items are considered to be measurable and available only when cash is received by the government.

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

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation (*Continued*)

The City reports the following major governmental funds:

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

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

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

The 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 Schools departments and/or other governmental units on a cost-reimbursement basis.

Additionally, the City reports the following fiduciary fund types:

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

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

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

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

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

### Budgeting and Budgetary Accounting

#### *City*

Budgets are employed by the Primary Government as a financial control device for the General Fund, Debt Service Fund, Capital Projects Fund, 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.

Budgets are adopted on a budgetary basis, which is 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, 2018 for an increase in appropriations in the amount of \$523,549 for the Primary Government General Fund.

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

#### *Component Unit - Schools*

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

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

### Cash and Investments

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

## 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, 2018, the allowance approximated \$305,000 in the General Fund. All other receivables have experienced a high collection rate; therefore, an allowance for doubtful accounts has not been established by City management for other receivables.

### Inventory

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

### Capital Assets

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

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

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

### Deferred Outflows and Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources representing a consumption of net position that applies to future period and will not be recognized as an expense or an expenditure until that time. The City reports deferred outflows of resources for deferred charges on refunding and amounts related to pensions and other postemployment benefits (OPEB) in the government-wide Statement of Net Position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price, which is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows for pensions and OPEB result from changes in actuarial assumptions, pension/OPEB trust investment returns that exceed projected earnings, change in the proportionate share of total VRS Teachers' Pool liability and VRS OPEB programs, actual economic experience that is different than estimated, and pension/OPEB contributions made subsequent to the measurement date. Changes in deferred outflows of resources, other than subsequent contributions, are amortized over the remaining service life of all plan participants with the exception of investment experience amounts, which are deferred and amortized over a closed five-year period.

In addition to liabilities, the financial statements will sometimes provide a separate section for deferred inflows of resources representing an acquisition of net position that applies to future periods and will not be recognized as revenue until that time. Deferred inflows of resources are reported for amounts related to pensions and OPEB in the government-wide statement of net position. Actuarial losses resulting from a difference in expected and actual experience, investment results, changes in actuarial assumptions and changes in proportionate share are deferred and amortized. Changes in deferred inflows of resources are amortized over the remaining service life of all plan participants with the exception of investment experience amounts, which are deferred and amortized over a closed five-year period.

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

### 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.

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

### Fund Balances/Net Positions (*Continued*)

**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, 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. It is possible for the non-general funds to have negative unassigned fund balances when nonspendable and restricted amounts exceed the positive fund balance for that fund.

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

City 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.

### 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, deferred flows of resources, revenue and expenses, and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

### Credit Risk

The assessed value of real estate for the City's ten largest taxpayers comprises 3.49% 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, 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.

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, 2018, no balances of the Primary Government or its component units were uninsured or uncollateralized in banks or savings institutions because of failure of the institutions to qualify under the Act.

### 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 LGIP, which 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, 2018, the City had \$254,566 invested in SNAP, which 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 notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, and the State Treasurer's LGIP.

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

### **Investment Policy**

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

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

#### *Core Portfolio*

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

#### *Bond Proceeds*

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

### **Credit Risk**

As required by State Statute, the Policy requires 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 a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service. Notes having a maturity of greater than one year must be rated "AA" by Standard & Poor's and "Aa" by Moody's Investors Service.

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.

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

### 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, 2018, 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.

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
Commonwealth of Virginia LGIP	\$ 670,382	\$ 670,382	\$ -
VML/VACo Pooled OPEB Trust Fund	25,238	-	25,238
SNAP	254,566	-	254,566
Total investments	950,186	\$ 670,382	\$ 279,804

#### *Reconciliation to total cash and investments:*

Add:

Cash on hand and in banks 12,581,723

Total cash and investments 13,531,909

Less:

Cash held in fiduciary funds 114,452

Total cash and investments, Exhibit A,

Primary Government and Component Units \$ 13,417,457

### 3. **Receivables**

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

	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
Real estate taxes	\$ 310,835	\$ -	\$ 310,835
Personal property taxes	380,798	-	380,798
Accounts receivable	48,874	398,013	446,887
	740,507	398,013	1,138,520
Less allowance for uncollectible accounts	(305,000)	-	(305,000)
Receivables, net	\$ 435,507	\$ 398,013	\$ 833,520

### 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 is 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, 2018, the balance was \$60,770.

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, 2018, the balance was \$57,683.

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

	<u>Total</u>
<b>Commonwealth of Virginia</b>	
Communications Sales and Use Tax	\$ 30,161
Compensation Board	18,577
Children's Services Act	97,531
Division of Motor Vehicles	11,950
EMS Grant (4 for Life)	12,635
Meals Tax	83,892
Mobile Home Tilting	9,739
PPTRA	884,118
Recordation Tax	14,117
Sales Tax	62,525
HMGP Grant	136,218
Total due from the Commonwealth of Virginia	<u>1,361,463</u>

### Federal Government

Byren Justine Grant	1,666
DUI Grants - Selective Enforcement - Alcohol	322
DUI - Selective Enforcement - Speed	1,288
FEMA Planning Grant (LEMPG)	7,500
FMA 2014-001 Grant	73,002
HMGP Grant	146,393
Total due from the federal government	<u>230,171</u>
Total due from other governments	<u>\$ 1,591,634</u>

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

**Component Unit - Schools**

**Commonwealth of Virginia**

Sales Tax	\$ 182,963
Technology Reimbursement	55,882
Total due from the Commonwealth of Virginia	<u>238,845</u>

**Federal Government**

Department of Education Program	
Title I	37,621
Title VI-B	34,620
Various Grants	<u>68,746</u>
Total due from the federal government	<u>140,987</u>
 Total due from other governments	 <u>\$ 379,832</u>

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

Details of the receivables and payables between the Primary Government and component units at June 30, 2018 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 Schools	Due to Primary Government	124,184
Total		<u>\$ 1,833,771</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:

	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
Capital assets, non-depreciable				
Land	\$ 3,241,092	\$ -	\$ 236,372	\$ 3,004,720
Construction in progress	685,126	384,304	-	1,069,430
Total capital assets, non-depreciable	<u>3,926,218</u>	<u>384,304</u>	<u>236,372</u>	<u>4,074,150</u>
Capital assets, depreciable				
Buildings	10,740,037	127,424	-	10,867,461
Infrastructure	40,384,319	-	-	40,384,319
Land improvements	3,782,377	124,804	-	3,907,181
Machinery and equipment	8,053,262	438,611	175,692	8,316,181
Total capital assets, depreciable	<u>62,959,995</u>	<u>690,839</u>	<u>175,692</u>	<u>63,475,142</u>
Less accumulated depreciation				
Buildings	5,276,403	369,481	-	5,645,884
Infrastructure	32,841,775	174,163	-	33,015,938
Land improvements	2,138,878	117,892	-	2,256,770
Machinery and equipment	5,906,040	393,889	85,124	6,214,805
Total accumulated depreciation	<u>46,163,096</u>	<u>1,055,425</u>	<u>85,124</u>	<u>47,133,397</u>
Total capital assets, depreciable, net before allocation from School Board	<u>16,796,899</u>	<u>(364,586)</u>	<u>90,568</u>	<u>16,341,745</u>
Allocation of School Board assets				
Buildings	28,463,737	-	-	28,463,737
Less accumulated depreciation				
Buildings	<u>6,694,306</u>	<u>698,665</u>	<u>-</u>	<u>7,392,971</u>
Total allocated from School Board	<u>21,769,431</u>	<u>(698,665)</u>	<u>-</u>	<u>21,070,766</u>
Total capital assets, depreciable, net	<u>38,566,330</u>	<u>(1,063,251)</u>	<u>90,568</u>	<u>37,412,511</u>
Total capital assets	<u>\$ 42,492,548</u>	<u>\$ (678,947)</u>	<u>\$ 326,940</u>	<u>\$ 41,486,661</u>

Depreciation was charged to governmental functions as follows:

General government administration	\$ 53,613
Public safety	505,601
Public works	375,391
Health and welfare	4,892
Parks, recreation, and cultural	113,702
Community development	2,226
Education	<u>698,665</u>
	<u>\$ 1,754,090</u>

## 7. Capital Assets (*Continued*)

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

	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
Capital assets, non-depreciable				
Land	\$ 214,666	\$ 3,000	\$ -	\$ 217,666
Construction in progress	30,165	1,253	2,500	28,918
Total capital assets, non-depreciable	<u>244,831</u>	<u>4,253</u>	<u>2,500</u>	<u>246,584</u>
Capital assets, depreciable				
Buildings	86,403	56,112	-	142,515
Machinery and equipment	1,345,549	208,336	52,924	1,500,961
Sewer system	22,400,814	140,776	-	22,541,590
Total capital assets, depreciable	<u>23,832,766</u>	<u>405,224</u>	<u>52,924</u>	<u>24,185,066</u>
Less accumulated depreciation				
Buildings	17,108	5,844	-	22,952
Machinery and equipment	1,039,868	60,654	52,924	1,047,598
Sewer system	11,688,072	568,276	-	12,256,348
Total accumulated depreciation	<u>12,745,048</u>	<u>634,774</u>	<u>52,924</u>	<u>13,326,898</u>
Total capital assets, depreciable, net	<u>11,087,718</u>	<u>(229,550)</u>	<u>-</u>	<u>10,858,168</u>
Total capital assets	<u>\$ 11,332,549</u>	<u>\$ (225,297)</u>	<u>\$ 2,500</u>	<u>\$ 11,104,752</u>

## 7. Capital Assets (*Concluded*)

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

	Balance June 30, 2017	Increase	Decrease	Balance June 30, 2018
Capital assets, non-depreciable				
Land	\$ 450,876	\$ -	\$ -	\$ 450,876
Capital assets, depreciable				
Buildings	40,073,922	56,404	-	40,130,326
Machinery and equipment	3,064,548	229,731	51,000	3,243,279
Total capital assets, depreciable	43,138,470	286,135	51,000	43,373,605
Less - accumulated depreciation				
Buildings	14,361,302	928,242	-	15,289,544
Machinery and equipment	1,989,278	221,646	51,000	2,159,924
Total accumulated depreciation	16,350,580	1,149,888	51,000	17,449,468
Capital assets, depreciable, net, before allocation to City	26,787,890	(863,753)	-	25,924,137
Allocation to City				
Buildings	28,463,737	-	-	28,463,737
Less - accumulated depreciation	6,694,306	698,665	-	7,392,971
Total allocated to City	21,769,431	(698,665)	-	21,070,766
Total capital assets, depreciable, net	5,018,459	(165,088)	-	4,853,371
Total	\$ 5,469,335	\$ (165,088)	\$ -	\$ 5,304,247

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

	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
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	384,420	-	-	384,420
Less - accumulated depreciation				
Buildings	59,937	3,457	-	63,394
Infrastructure	200,631	14,332	-	214,963
Total accumulated depreciation	260,568	17,789	-	278,357
Total capital assets, depreciable, net	123,852	(17,789)	-	106,063
Total	\$ 2,616,013	\$ (17,789)	\$ -	\$ 2,598,224

## 8. Long-term Obligations

### Governmental Activities

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

	Balance			Balance June 30,	Amounts Due Within One Year		
	July 1,		Decrease				
	2017	Increase					
General obligation bonds	\$ 23,419,586	\$ -	\$ 1,685,000	\$ 21,734,586	\$ 1,899,115		
Unamortized premium	3,863,269	-	305,468	3,557,801	305,468		
	27,282,855	-	1,990,468	25,292,387	2,204,583		
Capital lease obligations	127,224	167,000	65,899	228,325	62,303		
State Literary Fund loans	500,000	-	250,000	250,000	250,000		
	27,910,079	167,000	2,306,367	25,770,712	2,516,886		
Net pension liability	3,510,801	-	2,064,299	1,446,502	-		
Net OPEB liability - Local Plan	807,873	1,063,967	-	1,871,840	-		
Net OPEB liability - State Programs	680,320	-	76,515	603,805	-		
Accrued compensated absences	695,579	919,157	958,991	655,745	65,575		
Total	\$ 33,604,652	\$ 2,150,124	\$ 5,406,172	\$ 30,348,604	\$ 2,582,461		

### Component Unit - Schools

Net pension liability	\$ 20,854,000	\$ -	\$ 2,603,000	\$ 18,251,000	\$ -
Net OPEB liability - Local Plan	280,348	-	79,255	201,093	-
Net OPEB liability - State Programs	3,038,000	-	153,000	2,885,000	-
Accrued compensated absences	374,861	537,204	532,898	379,167	79,625
Total	\$ 24,547,209	\$ 537,204	\$ 3,368,153	\$ 21,716,260	\$ 79,625

*\*Net OPEB liabilities have been restated as of July 1, 2017 in accordance with GASB 75.*

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

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%.	\$ 30,000
<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%.	765,000
<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%.	440,000
<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%.	105,000
<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%.	4,309,999
<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%.	14,400,000
	<u>\$ 21,734,586</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:

<b>Years Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 1,899,115	\$ 948,683
2020	2,250,001	867,434
2021	2,219,000	765,922
2022	2,322,000	659,481
2023	2,431,001	547,961
2024 - 2028	10,230,584	1,063,954
2029 - 2032	382,885	11,600
	<b>\$ 21,734,586</b>	<b>\$ 4,865,035</b>

In March 2017, the City entered into a capital lease to purchase equipment, which was capitalized at a cost of \$161,868. At June 30, 2018, accumulated depreciation under this lease totaled \$16,187. The balance of this lease as of June 30, 2018 was \$97,099. In December 2017, the City entered into a second capital lease to purchase equipment, which was capitalized at a cost of \$167,000. At June 30, 2018, accumulated depreciation under this lease totaled \$8,350. The balance of this lease as of June 30, 2018 was \$131,186. Future minimum lease payments under capital lease and present value of the minimum lease payments are as follows:

2019	\$ 70,418
2020	70,418
2021	70,418
2022	<u>35,814</u>
Total minimum lease payments	247,068
Less imputed interest	<u>(18,743)</u>
	228,325
Less current portion	<u>(62,303)</u>
Long-term portion	<b>\$ 166,022</b>

### Literary Loan Funds

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

**High School Literary Fund Loan** - \$5,000,000 loan issued November 17, 1998, due in annual installments of \$250,000 through December 2018, with interest at 3%. \$ 250,000

The remainder of the state literary fund loans are scheduled to be paid in 2019, with estimated interest payments of \$7,500 in 2019.

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

### *Debt Limit*

The Commonwealth of Virginia imposes a legal limit on the general obligation debt that may be issued by the City to an amount equal to 10% of total assessed value of real property. As of June 30, 2018, the City's aggregate general obligation indebtedness was \$133,534,068 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			Balance June 30, 2018	Amounts Due Within One Year
	July 1, 2017	Increase	Decrease		
General obligation bonds	\$ 6,410,000	\$ -	\$ 469,998	\$ 5,940,002	\$ 490,000
Bond premium	469,307	-	50,150	419,157	50,150
	6,879,307	-	520,148	6,359,159	540,150
Net pension liability	145,522	-	86,819	58,703	-
Net OPEB liabilities - Single Employer	30,169	39,734	-	69,903	-
Net OPEB liabilities - State Programs	27,731	-	3,116	24,615	-
Accrued compensated absences	29,593	36,262	36,565	29,290	2,929
Total	\$ 7,112,322	\$ 75,996	\$ 646,648	\$ 6,541,670	\$ 543,079

\* Net OPEB liabilities have been restated as of July 1, 2017 in accordance with GASB 75.

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%. \$ 305,002

**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%. 5,635,000  
\$ 5,940,002

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

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

<b>Years Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 490,000	\$ 216,628
2020	515,000	192,183
2021	540,000	166,878
2022	565,000	140,774
2023	590,000	114,900
2024 - 2028	3,240,000	297,150
	<b>\$ 5,940,000</b>	<b>\$ 1,128,513</b>

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 - 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, 2018. 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, 2018, the remaining outstanding balance was \$17,316,615.

## 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:

	<b>General</b>	<b>Debt Service</b>	<b>Capital Project</b>	<b>Total Governmental Funds</b>
<b>Nonspendable</b>				
EDA note receivable	\$ 1,709,587	\$ -	\$ -	\$ 1,709,587
Notes receivable	118,453	-	-	118,453
<b>Total nonspendable</b>	<b>1,828,040</b>	<b>-</b>	<b>-</b>	<b>1,828,040</b>
<b>Restricted</b>				
Revenue Stabilization	600,000	-	-	600,000
Asset forfeiture	1,623	-	-	1,623
4 For Life	12,735	-	-	12,735
Fire Fund	48,706	-	-	48,706
Waterman's Memorial	19,536	-	-	19,536
Library donations	10,830	-	-	10,830
Parks & Rec workboat races	1,494	-	-	1,494
Wetland Creation	23,403	-	-	23,403
CDBG Program revenue	74,997	-	-	74,997
Capital projects	-	-	1,080,002	1,080,002
<b>Total restricted</b>	<b>793,324</b>	<b>-</b>	<b>1,080,002</b>	<b>1,873,326</b>
<b>Assigned</b>				
Health and welfare	54,953	-	-	54,953
Public safety and judicial	116,359	-	-	116,359
Public works	98,980	-	-	98,980
Parks, recreational, and cultural	300	-	-	300
Non-departmental	97,137	-	-	97,137
Debt service	-	389,674	-	389,674
Capital projects	-	-	276,389	276,389
<b>Total assigned</b>	<b>367,729</b>	<b>389,674</b>	<b>276,389</b>	<b>1,033,792</b>
<b>Unassigned</b>				
<b>Total fund balances</b>	<b>\$ 8,332,630</b>	<b>\$ 389,674</b>	<b>\$ 1,356,391</b>	<b>\$ 10,078,695</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 on certain employees of the Primary Government and component unit during the fiscal year ended June 30, 2018:

<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 § 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. 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, 2018, the City's General Fund had outstanding encumbrances of \$270,592 and the Component Unit - Schools' General Fund had outstanding encumbrances of \$620,181.

While encumbrances do not constitute expenditures in accordance with GAAP, encumbrances outstanding at year end do not lapse.

## 13. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2018 are as follows:

	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ 200,000	\$ 2,942,671
Debt Service Fund	2,902,671	-
Capital Projects Fund	40,000	-
Sewer Operations Fund	-	150,000
Solid Waste Fund	-	50,000
	<hr/> <b>\$ 3,142,671</b>	<hr/> <b>\$ 3,142,671</b>

**Purpose:**

- \$ 2,902,671 From General Fund to Debt Service Fund for current year debt payments
- \$ 40,000 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.
- \$ 50,000 From Solid Waste Fund to General Fund to allocate administration costs for the City's Solid Waste program.

## 14. **Related Party Transactions**

The City's financial statements do not include certain public commissions and authorities created as separate governmental entities under the laws of the Commonwealth of Virginia. These agencies are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the City, although certain members of their governing bodies are appointed by Council. These entities are the Hampton Roads Planning District Commission (HRPDC), the Virginia Peninsula's Public Service Authority (VPPSA), the Peninsula Council Workforce Development (PCWD), and Colonial Behavioral Health (CBH). Expenditures of these agencies are financed by federal and state grants and fees, including contributions from the City. During the year ended June 30, 2018, the City provided support or paid for services to HRPDC of \$25,074, VPPSA of \$203,616, PCWD of \$5,847, and CBH of \$190,000.

## **14. 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, 2018 was \$2,765,000. 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 fiscal year 2018, the City incurred expenses for the regional jail and juvenile detention center of \$266,203 and \$53,498, respectively.

The City also participates in a regional animal shelter, Newport News Animal Services, with several other localities. The City paid \$37,867 for its share in fiscal year 2018.

The City shares certain services and their associated costs with York County, including the Circuit Court, Commonwealth's Attorney, Sheriff of York County, and E-911 operations. The City also shares social services with York County. During the year ended June 30, 2018, the City paid \$1,049,694 to York County for these shared services.

The City of Poquoson shares Hampton Steam Plant services and their associated costs with the city of Hampton, Virginia. During the year ended June 30, 2018, the City paid \$91,642 to the city of Hampton, Virginia for these shared services.

The Schools' financial statements do not include the New Horizons Education Center. During the year ended June 30, 2018, the Schools provided support of \$621,273 to the New Horizons Education Center.

## **15. Retirement Plan**

### **A. Plan Description**

The City and Schools participate in agent multiple employer plans administered by the Virginia Retirement System (VRS). In addition, certain Schools 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 VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer pay 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.

## 15. Retirement Plan (*Continued*)

VRS 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
<p><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.</p>	<p><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.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <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>
<p><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, and they had not taken a refund.</p> <p><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. The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p>	<p><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.</p> <p><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. The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <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 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014</li> </ul> <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>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
If eligible, deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.  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.	If eligible, deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.  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.	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.
<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 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.	<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 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

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		<p>health insurance credit.</p> <p><b><u>Defined Contributions Component:</u></b></p> <p>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></p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b></p> <p>Same as VRS Plan 1.</p>	<p><b>Vesting</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>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.</p> <p><b><u>Defined Contributions Component:</u></b></p> <p>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.</p> <p>Members are always 100% vested in contributions they make.</p> <p>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> <ul style="list-style-type: none"> <li>• After 2 years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After 3 years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After 4 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>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Calculating the Benefit</b></p> <p>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.</p>	<p><b>Calculating the Benefit</b></p> <p>See definition under VRS Plan 1.</p>	<p><b>Calculating the Benefit</b></p> <p><b>Defined Benefit Component:</b> See definition under VRS Plan 1</p> <p><b>Defined Contribution Component:</b> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><b>Average Final Compensation</b></p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b></p> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b></p> <p>Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b></p> <p>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%.</p>	<p><b>Service Retirement Multiplier</b></p> <p>Same as VRS 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.</p>	<p><b>Service Retirement Multiplier</b></p> <p><b>Defined Benefit Component:</b> The retirement multiplier is 1.0%.</p> <p>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.</p>
<p><b>Sheriffs and Regional Jail Superintendents:</b></p> <p>The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p>	<p><b>Sheriffs and Regional Jail Superintendents:</b></p> <p>Same as VRS Plan 1.</p>	<p><b>Sheriffs and Regional Jail Superintendents:</b></p> <p>Not applicable.</p>
<p><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.</p>	<p><b>Political Subdivision Hazardous Duty Employees:</b></p> <p>Same as VRS Plan 1.</p>	<p><b>Political Subdivision Hazardous Duty Employees:</b></p> <p>Not applicable.</p> <p><b>Defined Contribution Component:</b> Not applicable.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Normal Retirement Age VRS:</b> Age 65.</p> <p><b>Political Subdivisions Hazardous Duty Employees:</b> Age 60.</p>	<p><b>Normal Retirement Age VRS:</b> Normal Social Security retirement age.</p> <p><b>Political Subdivisions Hazardous Duty Employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age VRS: Defined Benefit Component:</b> Same as Plan 2.</p> <p><b>Political Subdivisions Hazardous Duty Employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> <b>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.</p> <p><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.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <b>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.</p> <p><b>Political Subdivisions Hazardous Duty Employees:</b> Same as Plan 1.</p>	<p><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.</p> <p><b>Political Subdivisions Hazardous Duty Employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><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.</p> <p><b>Political Subdivisions Hazardous Duty Employees:</b> 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political Subdivisions Hazardous Duty Employees:</b> Plan 1.</p>	<p><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.</p> <p><b>Political Subdivisions Hazardous Duty Employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p><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%.</p> <p><b>Eligibility:</b>  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.</p> <p>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.</p> <p><b>Exceptions to COLA Effective Dates:</b>  The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <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 retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member's survivor or beneficiary is eligible for a</li> </ul>	<p><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%.</p> <p><b>Eligibility:</b>  Same as VRS Plan 1 .</p> <p><b>Exceptions to COLA Effective Dates:</b>  Same as VRS Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <b>Defined Benefit Component:</b>  Same as VRS Plan 2.</p> <p><b>Defined Contribution Component:</b>  Not applicable.</p> <p><b>Eligibility:</b>  Same as VRS Plan 1 and VRS Plan 2.</p> <p><b>Exceptions to COLA Effective Dates:</b>  Same as VRS Plan 1 and VRS Plan 2.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
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.		
<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>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 an 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><u>Defined Benefit Component:</u></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><u>Defined Contribution Component:</u></b> Not applicable.</p>

VRS 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 VRS's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**15. Retirement Plan (Continued)**

**B. Employees Covered by Benefit Terms**

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Number</b>	
	<b>Primary Government*</b>	<b>Component Unit - Schools*</b>
Inactive members of their beneficiaries currently receiving benefits	<u>57</u>	<u>27</u>
Inactive members:		
Vested	24	8
Non-vested	30	5
Active elsewhere in VRS	40	5
Total inactive members	<u>94</u>	<u>18</u>
Active members	<u>121</u>	<u>27</u>
Total covered employees	<u>272</u>	<u>72</u>

*\*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 5.00% 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.

**Agent Multiple-Employer Plans**

The City's contractually required contribution rate for the year ended June 30, 2018 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 \$549,002 for the year ended June 30, 2018. The School's contractually required contribution rate for the year ended June 30, 2018 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 Schools were \$51,375 for the year ended June 30, 2018.

## 15. Retirement Plan (*Continued*)

### C. Contributions (*Continued*)

#### Teachers' Cost-Sharing Plan

The Schools' contractually required contribution rate for the year ended June 30, 2018 was 16.32% 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 § 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 Schools were \$1,836,367 for the year ended June 30, 2018.

### D. Net Pension Liability

#### Agent Multiple-Employer Plans

The City and Schools' net pension liability, measured as of June 30, 2017, was \$1,505,205 and \$258,300, as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

#### Teachers' Cost-Sharing Plan

At June 30, 2018, the Schools reported a liability of \$17,993,000 for its proportionate share of the State-wide plan's net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Schools' proportion of the net pension liability was based on the Schools' actuarially determined employer contributions to the plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Schools' proportion was 0.14631% as compared to 0.14548% at June 30, 2016.

### E. Actuarial Assumptions

The total pension liability for the plans were based on an actuarial valuations as of June 30, 2016, 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, 2017.

	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	15.00%	45.00%	Not available

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

## 15. Retirement Plan (Continued)

### E. Actuarial Assumptions (Continued)

	General Employees	Public Safety	Teacher Plan
<b>Mortality tables:</b>			
Pre-retirement	RP-2014 Employee Rates to age 80. Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.	RP-2014 Employee Rates to age 80. Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
Post-retirement	RP-2014 Employee Rates to age 49. Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.	RP-2014 Employee Rates to age 49. Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1.0% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
Post-disablement	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.	RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.
<b>Changes of assumptions:</b>			
The actuarial assumptions used in the June 30, 2016 valuation were based on results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. The following are changes to the actuarial assumptions as a result of the experience study.	Updated to a more current mortality table – RP-2014 projected to 2020. Lowered retirement rates at older ages and changed final retirement from 70 to 75. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service. Lowered disability rates. No change to salary scale. Increased Line of Duty Disability rate from 14% to 15%.	Updated to a more current mortality table – RP-2014 projected to 2020. Increased age 50 retirement rates and lowered rates at older ages. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service. Adjusted disability rates to better fit experience. No change to salary scale. Decreased Line of Duty Disability rate from 60% to 45%.	Updated to a more current mortality table – RP-2014 projected to 2020. Lowered retirement rates at older ages and changed final retirement from 70 to 75. Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service. Adjusted disability rates to better fit experience. No change to salary scale. Adjusted disability rates to better match experience.

*\*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.

**15. 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:

<b>Assets Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-term Expected</b>	<b>Weighted Average</b>
			<b>Long-term Expected</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
<b>Total</b>	<b>100.00%</b>		<b>4.80%</b>
		Inflation	2.50%
		Expected arithmetic nominal return*	<b>7.30%</b>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, 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, 2019, the rate contributed by the Schools for the VRS Teacher's Pool will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, the Schools 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.

**15. 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, 2017 for the City and Schools, respectively.

<b>City Pension Plan</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, July 1, 2016	\$ 30,374,277	\$ 26,717,954	\$ 3,656,323
Changes for the year:			
Service cost	724,837	-	724,837
Interest	2,087,510	-	2,087,510
Change in assumptions	(350,459)	-	(350,459)
Difference between expected and actual experience	(525,567)	-	(525,567)
Contributions - employer	-	527,937	(527,937)
Contributions - employee	-	319,696	(319,696)
Net investment income	-	3,261,440	(3,261,440)
Benefit payments, including refunds of employee contributions	(1,105,403)	(1,105,403)	-
Administrative expense	-	(18,731)	18,731
Other changes	-	(2,903)	2,903
Net changes	830,918	2,982,036	(2,151,118)
Balance, June 30, 2017	\$ 31,205,195	\$ 29,699,990	\$ 1,505,205

<b>Schools' Pension Plan (excluded Teacher Cost-Sharing Plan)</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, July 1, 2016	\$ 2,356,034	\$ 1,888,874	\$ 467,160
Changes for the year:			
Service cost	54,653	-	54,653
Interest	160,141	-	160,141
Change in assumptions	11,087	-	11,087
Difference between expected and actual experience	(127,994)	-	(127,994)
Contributions - employer	-	55,375	(55,375)
Contributions - employee	-	25,660	(25,660)
Net investment income	-	227,250	(227,250)
Benefit payments, including refunds of employee contributions	(136,614)	(136,614)	-
Administrative expense	-	(1,339)	1,339
Other changes	-	(199)	199
Net changes	(38,727)	170,133	(208,860)
Balance, June 30, 2017	\$ 2,317,307	\$ 2,059,007	\$ 258,300

**15. 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, Schools, and Teacher's Pool, 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	\$ 5,515,373	\$ 1,505,205	\$ (1,835,505)
School's calculated net pension liability	\$ 26,870,000	\$ 258,300	\$ 52,000
Teacher Retirement Plan's calculated pension liability	\$ 501,000	\$ 17,993,000	\$ 10,561,000

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

Pension expense recognized for the year ended June 30, 2018, and the reported deferred inflows and outflows of resources related to pensions at June 30, 2018, were as follows:

	<b>Primary Government</b>		<b>Component Unit - Schools</b>	
	<b>Governmental Activities</b>		<b>Agent Multiple</b>	
	<b>Business-type Activities</b>	<b>Plan</b>	<b>Teacher Cost-Sharing Plan</b>	
<b>Pension expense</b>	<b>\$ (158,565)</b>	<b>\$ (6,435)</b>	<b>\$ 14,000</b>	<b>\$ 1,282,000</b>
<b>Deferred Inflows:</b>				
Changes in assumption	\$ (246,016)	\$ (9,984)	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	(426,684)	(17,316)	(29,000)	(654,000)
Net difference between expected and actual experience	(744,774)	(30,226)	(72,000)	(1,274,000)
Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-	-	(182,000)
<b>Total Deferred Inflows</b>	<b>\$ (1,417,474)</b>	<b>\$ (57,526)</b>	<b>\$ (101,000)</b>	<b>\$ (2,110,000)</b>
<b>Deferred Outflows:</b>				
Changes in assumption	\$ -	\$ -	\$ 6,000	\$ 263,000
Changes in proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-	-	93,000
Net difference between expected and actual experience	-	-	8,000	-
Employer contributions subsequent to the measurement date	527,590	21,412	51,375	1,836,367
<b>Total Deferred Outflows</b>	<b>\$ 527,590</b>	<b>\$ 21,412</b>	<b>\$ 65,375</b>	<b>\$ 2,192,367</b>

**15. Retirement Plan (*Concluded*)**

**J. Pension Expense and Deferred (Inflows) Outflows 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 to pensions will be recognized in pension expense as follows:

<b>Years Ending June 30,</b>	<b>Component Unit - Schools</b>		
	<b>City</b>	<b>Agent Multiple Plan</b>	<b>Teacher Cost- Sharing Plan</b>
2019	\$ (796,000)	\$ (63,000)	\$ (752,000)
2020	(225,000)	(6,000)	(92,000)
2021	(174,000)	1,000	(254,000)
2022	(280,000)	(19,000)	(603,000)
2023	-	-	(53,000)
	<b>\$ (1,475,000)</b>	<b>\$ (87,000)</b>	<b>\$ (1,754,000)</b>

**K. Payables to the Pension Plan**

At June 30, 2018, the City and Schools reported payables of \$76,371 and \$365,101, respectively, for the outstanding amount of contributions to the pension plan requested for the year ended June 30, 2018.

**16. Other Postemployment Benefits (OPEB) – VRS Programs**

The City and Schools participate in a cost-sharing multiple employer Group Life Insurance Program (GLI), a Teacher Employee Health Insurance Credit (HIC) Program, and a Political Subdivision Employee HIC Program offered by VRS.

VRS 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 VRS' Chief Financial Office at P.O. Box 2500, Richmond, Virginia 23218-2500.

The actuarial assumptions and long-term expected rate of return are the same for the VRS OPEB programs. As such, the presentation of the actuarial assumptions and long-term expected rate of return are combined below. Specific information for the OPEB plans will be presented after this section.

## 16. Other Postemployment Benefits (OPEB) – VRS Programs (Continued)

### Actuarial Assumptions

The total GLI and HIC OPEB liabilities were based on an actuarial valuation as of June 30, 2016, 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, 2017.

	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	15.00%	45.00%	Not available
<b>Mortality tables:</b>			
Pre-retirement	RP-2014 Employee Rates to age 80. Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.	RP-2014 Employee Rates to age 80. Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
Post-retirement	RP-2014 Employee Rates to age 49. Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.	RP-2014 Employee Rates to age 49. Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1.0% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
Post-disablement	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.	RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.
<b>Changes of assumptions:</b>			
The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. The following are the changes to the actuarial assumptions as a result of the experience study.	Updated to a more current mortality table – RP-2014 projected to 2020. Lowered retirement rates at older ages and changed final retirement from 70 to 75.  Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service. Lowered disability rates.  No change to salary scale.  Increased Line of Duty Disability rate from 14% to 15%.	Updated to a more current mortality table – RP-2014 projected to 2020. Increased age 50 retirement rates and lowered rates at older ages.  Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service. Adjusted disability rates to better fit experience.  No change to salary scale.  Decreased Line of Duty Disability rate from 60% to 45%.	Updated to a more current mortality table – RP-2014 projected to 2020. Lowered retirement rates at older ages and changed final retirement from 70 to 75.  Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.  No change to salary scale.  Adjusted disability rates to better match experience.

\* 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 the OPEB liabilities.

## 16. Other Postemployment Benefits (OPEB) – VRS Programs (Continued)

### *Long-Term Expected Rate of Return*

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		4.80%
Inflation			2.50%
* Expected arithmetic nominal return			<u>7.30%</u>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

### Virginia Retirement System – Group Life Insurance (GLI)

#### A. Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI upon employment. This plan is administered by VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

## 16. Other Postemployment Benefits (OPEB) – VRS Programs (Continued)

The specific information for GLI OPEB, including eligibility, coverage, and benefits is set out in the table below:

GLI PLAN PROVISIONS	
<b>Eligible Employees</b> The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: <ul style="list-style-type: none"><li>• City of Richmond</li><li>• City of Portsmouth</li><li>• City of Roanoke</li><li>• City of Norfolk</li><li>• Roanoke City Schools Board</li></ul>	
Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.	
<b>Benefit Amounts</b> The benefits payable under the GLI have several components. <ul style="list-style-type: none"><li>• <b><u>Natural Death Benefit</u></b> – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</li><li>• <b><u>Accidental Death Benefit</u></b> – The accidental death benefit is double the natural death benefit.</li><li>• <b><u>Other Benefit Provisions</u></b> – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:<ul style="list-style-type: none"><li>○ Accidental dismemberment benefit</li><li>○ Safety belt benefit</li><li>○ Repatriation benefit</li><li>○ Felonious assault benefit</li><li>○ Accelerated death benefit option</li></ul></li></ul>	
<b>Reduction in Benefit Amounts</b> The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.	
<b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b> For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the GLI. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.	

## 16. Other Postemployment Benefits (OPEB) – VRS Programs (Continued)

### B. Contributions

The contribution requirements for the GLI are governed by § 51.1-506 and § 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the City to the GLI were \$32,367 and \$31,652 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions to the GLI from the Schools were \$62,813 and \$62,585 for the years ended June 30, 2018 and June 30, 2017, respectively.

### C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows and Inflows of Resources

#### Political Subdivision Plans

At June 30, 2018, the City and Schools reported a liability of \$497,000 and \$45,000, respectively, for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the City's proportion was 0.03300% as compared to 0.03207% at June 30, 2016. At June 30, 2017, the Schools' proportion was 0.00300% as compared to 0.00294% at June 30, 2016.

#### Teachers' Cost-Sharing Plan

At June 30, 2018, the Schools reported a liability of \$937,000 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Schools' proportion was 0.06225% as compared to 0.06196% at June 30, 2016.

**16. Other Postemployment Benefits (OPEB) – VRS Programs (Continued)**

**C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows and Inflows of Resources (Continued)**

For the year ended June 30, 2018, the City and School recognized GLI OPEB expense of \$8,000 and \$14,000, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the City and Schools reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Component Unit - Schools			
	Primary Government	Business-type Activities	Political Subdivision Plan	Teacher Cost - Sharing Plan
Governmental Activities				
<b>Deferred Inflows:</b>				
Difference between expected and actual experience	\$ (9,617)	\$ (387)	\$ (1,000)	\$ (21,000)
Net difference between projected and actual earnings on OPEB plan investments	(18,270)	(730)	(2,000)	(35,000)
Changes of assumptions	(24,999)	(1,001)	(2,000)	(48,000)
<b>Total Deferred Inflows</b>	<b>\$ (52,886)</b>	<b>\$ (2,118)</b>	<b>\$ (5,000)</b>	<b>\$ (104,000)</b>
<b>Deferred Outflows:</b>				
Changes in proportionate share	13,461	539	-	4,000
Employer costs subsequent to the measurement date	31,121	1,246	2,740	60,073
<b>Total Deferred Outflows</b>	<b>\$ 44,582</b>	<b>\$ 1,785</b>	<b>\$ 2,740</b>	<b>\$ 64,073</b>

**16. Other Postemployment Benefits (OPEB) – VRS Programs (Continued)**

**C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows and Inflows of Resources (Continued)**

\$32,367 and \$62,813 reported as deferred outflows of resources related to the GLI OPEB resulting from the City's and School's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Years Ending June 30,	Component Unit - Schools		
	Political Subdivision	Teacher	Cost - Sharing Plan
		City	Plan
2019	\$ (9,000)	\$ (1,000)	\$ (20,000)
2020	(9,000)	(1,000)	(20,000)
2021	(9,000)	(1,000)	(20,000)
2022	(9,000)	(1,000)	(20,000)
2023	(5,004)	(1,000)	(13,000)
Thereafter	-	-	(7,000)
Total	\$ (41,004)	\$ (5,000)	\$ (100,000)

**D. Net GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the GLI are as follows (amounts expressed in thousands):

	Insurance OPEB Program
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employer's Net GLI OPEB Liability	\$ 1,504,840

Plan Fiduciary Net Position as a percentage of the total GLI OPEB liability 48.86%

The total GLI OPEB liability is calculated by VRS's actuary, and each plan's fiduciary net position is reported in VRS's financial statements. The net GLI OPEB liability is disclosed in accordance with GAAP in VRS's notes to the financial statements and required supplementary information.

## 16. Other Postemployment Benefits (OPEB) – VRS Programs (Continued)

### E. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

### F. Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the City's and School's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City's GLI OPEB Liability	\$ 643,000	\$ 497,000	\$ 379,000
School's GLI OPEB Liability	\$ 59,000	\$ 45,000	\$ 35,000
Teacher Employee Plan's GLI OPEB Liability	\$ 1,212,000	\$ 937,000	\$ 714,000

### Virginia Retirement System – Health Insurance Credit (HIC)

#### A. Plan Description

All full-time, salaried permanent employees of participating political subdivisions and public school divisions are automatically covered by the VRS Political Subdivision HIC and VRS Teacher HIC. This plan is administered by VRS, along with pension and other OPEB plans for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

## 16. Other Postemployment Benefits (OPEB) – VRS Programs (*Continued*)

The specific information for the HIC plan provisions, including eligibility, coverage, and benefits is set out in the table below:

POLITICAL SUBDIVISION HIC PLAN PROVISIONS	TEACHER EMPLOYEE HIC PLAN PROVISIONS
<p><b>Eligible Employees</b></p> <p>The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> <li>• Full-time permanent salaried employees of public school divisions covered under VRS.</li> </ul>	<p><b>Eligible Employees</b></p> <p>The Teacher Employee Retiree Health Insurance Credit Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"> <li>• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.</li> </ul>
<p><b>Benefit Amounts</b></p> <p>The political subdivision's Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <b>At Retirement</b> – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.</li> <li>• <b>Disability Retirement</b> – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.</li> </ul>	<p><b>Benefit Amounts</b></p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> <li>• <b>At Retirement</b> – For Teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.</li> <li>• <b>Disability Retirement</b> – For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: <ul style="list-style-type: none"> <li>○ \$4.00 per month, multiplied by twice the amount of service credit, or</li> <li>○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.</li> </ul> </li> </ul>
<p><b>Health Insurance Credit Program Notes:</b></p> <ul style="list-style-type: none"> <li>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</li> <li>• No health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for premiums paid for other qualified health plans.</li> <li>• Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.</li> </ul>	<p><b>Health Insurance Credit Program Notes:</b></p> <ul style="list-style-type: none"> <li>• The monthly Health Insurance Credit benefit cannot exceed the individual premium amount.</li> <li>• Employees who retire after being on long-term disability under VLDP must have at least 15 year of service credit to qualify for the health insurance credit as a retiree.</li> </ul>

## 16. Other Postemployment Benefits (OPEB) – VRS Programs (*Continued*)

### B. Contributions

#### **Political Subdivision Plans**

The contribution requirement for active employees is governed by § 51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to political subdivisions and school divisions by the Virginia General Assembly. Each political subdivision and school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the HIC. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate 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 from the City to the Political Subdivision HIC were \$14,894 and \$14,537 for the years ended June 30, 2018 and June 30, 2017, respectively. Contributions from the Schools to the Political Subdivision HIC for non-professional employees were \$4,269 and \$4,476 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

The contribution requirement for active employees is governed by § 51.1-1401(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the Teacher HIC. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate 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 from the Schools to the Teacher HIC were \$146,364 and \$127,508 for the years ended June 30, 2018 and June 30, 2017, respectively.

### C. Net HIC OPEB Liabilities

#### **Political Subdivision Plan**

At June 30, 2018, the City and Schools reported a liability of \$131,420 and \$58,000, respectively, for their proportionate share of the VRS Political Subdivision HIC net OPEB liability. The Political Subdivision net OPEB liability was measured as of June 30, 2017 and the total Political Subdivision OPEB liability used to calculate the Political Subdivision Net OPEB liability was determined by an actuarial valuation as of that date. The City and Schools' proportion of the Political Subdivision net OPEB liability was based on the City and school division's actuarially determined employer contributions to the Political Subdivision OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the City's proportion of the Political Subdivision net OPEB liability was 0.75790% as compared to 0.75925% at June 30, 2016. At June 30, 2017, the Schools' proportion of the Political Subdivision net OPEB liability was 0.33449% as compared to 0.29972% at June 30, 2016.

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

At June 30, 2018, the Schools reported a liability of \$1,845,000 for its proportionate share of the VRS Teacher HIC net OPEB liability. The Teacher HIC net OPEB liability was measured as of June 30, 2017 and the total Teacher HIC OPEB liability used to calculate the Teacher HIC Net OPEB liability was determined by an actuarial valuation as of that date. The School's proportion of the Teacher HIC net OPEB liability was based on the Schools' actuarially determined employer contributions to the Teacher HIC OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Schools' proportion of the Teacher HIC net OPEB liability was 0.14545% as compared to 0.14547% at June 30, 2016.

**16. Other Postemployment Benefits (OPEB) – VRS Programs (Continued)**

**C. Net HIC OPEB Liabilities (Continued)**

For the year ended June 30, 2018, the City and Schools recognized HIC OPEB expense of \$12,668 and \$150,000, respectively. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the HIC net OPEB expense was related to deferred amounts from changes in proportion. For the year ended June 30, 2018, the Schools recognized Teacher HIC OPEB expense of \$840,000.

At June 30, 2018, the City and Schools reported deferred inflows of resources and deferred outflows of resources related to the HIC OPEB from the following sources:

	Primary Government		Component Unit - Schools
	Governmental Activities	Business-type Activities	
<b>Deferred Inflows:</b>			
Net difference between projected and actual earnings on OPEB plan investments	\$ (4,418)	\$ (192)	\$ (3,000)
Changes of assumptions	(9,113)	(396)	(19,000)
<b>Total Deferred Inflows</b>	<b>\$ (13,531)</b>	<b>\$ (588)</b>	<b>\$ (22,000)</b>
<b>Deferred Outflows:</b>			
Employer costs subsequent to the measurement date	14,274	620	146,364
<b>Total Deferred Outflows</b>	<b>\$ 14,274</b>	<b>\$ 620</b>	<b>\$ 146,364</b>

\$14,894 and \$146,364 reported as deferred outflows of resources related to the Political Subdivision HIC and Teacher HIC resulting from the City and Schools' contributions subsequent to the measurement date, respectively, will be recognized as a reduction of the HIC OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Years Ending June 30,	Component Unit - Schools	
	City	Schools
2019	\$ (2,119)	\$ (4,000)
2020	(3,000)	(4,000)
2021	(3,000)	(4,000)
2022	(3,000)	(4,000)
2023	(2,000)	(3,000)
Thereafter	(1,000)	(3,000)
<b>Total</b>	<b>\$ (14,119)</b>	<b>\$ (22,000)</b>

**16. Other Postemployment Benefits (OPEB) – VRS Programs (Continued)**

**D. HIC Program OPEB Liability**

The net OPEB liability (NOL) for the Political Subdivision and Teacher Employee HIC represents the program's total OPEB liability determined in accordance with GAAP, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Political Subdivision and Teacher Employee HIC are as follows (amounts expressed in thousands):

	<b>Political Subdivision HIC OPEB Program</b>	<b>Teacher Employee HIC OPEB Program</b>
Total HIC OPEB Liability	\$ 39,493	\$ 1,364,702
Plan Fiduciary Net Position	22,167	96,091
Employer's Net HIC OPEB Liability	<u>\$ 17,326</u>	<u>\$ 1,268,611</u>

Plan Fiduciary Net Position as a Percentage of the  
Total HIC OPEB Liability 56.13% 7.04%

The total Political Subdivision and Teacher Employee HIC OPEB liability is calculated by VRS's actuary, and the plan's fiduciary net position is reported in VRS's financial statements. The net Political Subdivision and Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GAAP in VRS's notes to the financial statements and required supplementary information.

**E. Discount Rate**

The discount rate used to measure the total Political Subdivision and Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by each school division for the VRS Political Subdivision and Teacher HIC will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Political Subdivision and Teacher Employee HIC OPEB liability.

## 16. Other Postemployment Benefits (OPEB) – VRS Programs (Continued)

### F. Sensitivity of the City and Schools' Proportionate Share of the Political Subdivision and Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the City and Schools' proportionate share of the net HIC OPEB liability using the discount rate of 7.00%, as well as what the proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
City's HIC calculated OPEB Liability	\$ 160,000	\$ 131,420	\$ 107,000
Schools' HIC calculated OPEB Liability	\$ 64,000	\$ 58,000	\$ 53,000
Teacher's HIC calculated OPEB liability	\$ 2,059,000	\$ 1,845,000	\$ 1,663,000

## 17. Other Postemployment Benefits (OPEB) – Local Plans

### A. Plan Descriptions

The City and Schools administer a single-employer defined benefit postemployment healthcare plan that covers all current retirees and covered dependents and will provide coverage for all future retirees and their covered dependents. Employees who are eligible for the health plan under normal retirement must have a combination of age (minimum 50 years) and years of service (minimum of 5 years) equal to 70.

In accordance with Article 8, Chapter 15, Title 15.2 of the *Code of Virginia*, the City has elected to establish a pooled trust for the purpose of accumulating and investing assets to fund other postemployment benefits. The City, in accordance with this election, has joined the Virginia Pooled OPEB Trust Fund (Trust Fund), an irrevocable trust, with the purpose to fund other postemployment benefits. The Trust Fund issues separate financial statements, which can be obtained by requesting a copy from the Plan Administrator, VML/VACo Finance, 919 E. Main Street, Suite 1100, Richmond, Virginia 23219.

### B. Plan Membership

At June 30, 2018, the following employees were covered by the benefit terms:

	Primary Government	Component Unit - Schools
Total Active employees with coverage	125	282
Total Retirees receiving benefit payments	13	5
Total Retired employees not receiving benefit payments	-	-
	138	287

## **17. Other Postemployment Benefits (OPEB) – Local Plans (Continued)**

### **C. Benefits Provided**

#### **City Plan**

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

#### **Schools' Plan**

The Schools provides postemployment healthcare benefits, in accordance with Schools policy, to all employees that terminate employment from the City, retire with at least five years of service, retire after having attained at least age 50, and retire having a combination of age and service equal to 70. At June 30, 2018, five retirees were participating in this program. Postretirement healthcare coverage in the active employee plans is available to both retirees and their spouses until they become eligible for Medicare. Coverage is provided to either the retiree or their spouse after they attain Medicare eligibility through a Medicare Supplement plan on a retiree-pay-all basis. Coverage to spouses, both before and after attaining Medicare eligibility, ceases upon the death of the retiree.

### **D. Contributions**

The City Council and the Schools have the authority to establish and amend the funding policy of their respective plans. The employer's contribution ranges from 0% - 100% of the premiums based on the retiree's years of continuous health care coverage and the healthcare option selected by the retirees. The employer contributions are financed based on a pay-as-you-go basis.

In April 2018, the City, operating under authorization provided in the City Code, first established a trust to begin funding for future benefit obligations of the Plan. The contribution made in April 2018 was \$25,000. In future years, contributions will be made by the City as it is able. For the foreseeable future, it is the intent of the City to fund all current benefit obligations from funds outside of the trust.

### **E. Net OPEB Liability**

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The Schools' Total OPEB Liability was measured as of June 30, 2018 based on an actuarial valuation as of that date.

## 17. Other Postemployment Benefits (OPEB) – Local Plans (Continued)

### F. Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	General Employees	Public Safety	Teacher Plan
<b>Assumptions used in calculations:</b>			
Investment rate of return*	6.00%	6.00%	N/A
Projected salary increases	2.50%	2.50%	2.50%
Includes inflation at	2.50%	2.50%	2.50%
Healthcare cost trend rate:	5.50%	5.50%	5.50%
<b>Mortality tables:</b>			
Preretirement	RP-2014 Employee Rates to age 80. Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.	RP-2014 Employee Rates to age 80. Healthy Annuitant Rates at age 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.	RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
Post-retirement	RP-2014 Employee Rates to age 49. Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.	RP-2014 Employee Rates to age 49. Healthy Annuitant Rates at age 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.	RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1.0% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
Post-disablement	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.	RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

\*The long-term expected rate of return on OPEB plan investments was determined based on targeted rates of return under the Virginia Pooled OPEB Trust Fund as adopted by their Board in June 2018.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study on behalf of the VRS for the four-year period ending June 30, 2016.

### G. Discount Rate

The discount rate used to measure the total OPEB liability was 3.75% based on yields for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The rate used in the current valuation is based on indices published by Bond Buyer and Fidelity for 20-year general obligation bonds as of June 30, 2018.

17. **Other Postemployment Benefits (OPEB) – Local Plans (continued)**

**H. Changes in the Net OPEB Liability**

City OPEB Trust:	Increase (Decrease)		
	Total	Plan	Net
	OPEB Liability	Fiduciary Net Position	OPEB Liability
Balance, July 1, 2017	\$ 838,043	\$ -	\$ 838,043
Changes for the year:			
Service cost	77,260	-	77,260
Interest	56,357	-	56,357
Change in benefit terms	695,727	-	695,727
Difference between expected and actual experience	626,795	-	626,795
Change in assumptions	(280,164)	-	(280,164)
Contributions - employer	-	25,000	(25,000)
Net investment income	-	238	(238)
Benefit payments	(47,037)	-	(47,037)
Net changes	1,128,938	25,238	1,103,700
Balance, June 30, 2018	\$ 1,966,981	\$ 25,238	\$ 1,941,743
School OPEB Plan:	Increase (Decrease)		
	Total OPEB Liability		
	\$ 280,348		
Balance, July 1, 2017			
Changes for the year:			
Service cost	15,200		
Interest	10,003		
Difference between expected and actual experience	(58,566)		
Change in assumptions	134,473		
Benefit payments	(180,365)		
Net changes	(79,255)		
Balance, June 30, 2018	\$ 201,093		

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75%) or 1-percentage-point higher (4.75%) than the current discount rate:

	Change in Discount Return		
	1.00% Decrease (2.75%)	Current Discount Rate (3.75%)	1.00% Increase (4.75%)
City's Net OPEB Liability	\$ 2,130,812	\$ 1,941,743	\$ 1,773,598
Schools' Total OPEB Liability	\$ 13,868	\$ 201,093	\$ (13,031)

**17. Other Postemployment Benefits (OPEB) – Local Plans (continued)**

**J. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5% decreasing to 4.5%) or 1-percentage-point higher (5.5% decreasing to 6.5%) than the current healthcare cost trend rates:

	Change in Healthcare Cost Trend		
	1.00% Decrease (2.75%)	Current Discount Rate (3.75%)	1.00% Increase (4.75%)
City's Net OPEB Liability	\$ 1,744,464	\$ 1,941,743	\$ 2,172,438
Schools' Total OPEB Liability	\$ (18,343)	\$ 201,093	\$ 21,404

**K. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended June 30, 2018, the City and Schools recognized OPEB expense of \$829,344 and \$25,203, respectively. At June 30, 2018, the City and Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Component Unit - Primary Government			Component Unit - Schools
	Governmental Activities	Business-Type Activities	Single Employer Plan	
<b>Deferred Inflows:</b>				
Changes of assumptions	(270,078)	(10,086)	(58,566)	
<b>Total Deferred Inflows</b>	<b>\$ (270,078)</b>	<b>\$ (10,086)</b>	<b>\$ (58,566)</b>	
<b>Deferred Outflows:</b>				
Difference between expected and actual experience	\$ 604,233	\$ 22,566	\$ 134,473	
Net difference between projected and actual earnings on OPEB plan investments	56	2	-	
<b>Total Deferred Outflows</b>	<b>\$ 604,289</b>	<b>\$ 22,568</b>	<b>\$ 134,473</b>	

Amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	Component Unit - City		Component Unit - Schools
2019	\$ 56,283		\$ 9,884
2020	56,283		9,884
2021	56,283		9,884
2022	56,283		9,884
2023	56,283		9,884
Thereafter	65,278		26,487
<b>Total</b>	<b>\$ 346,693</b>		<b>\$ 75,907</b>

## 18. Restatement of Net Position

In fiscal year ended June 30, 2018, the City adopted the provisions of GASB Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”, which establishes standards of accounting and reporting for postemployment benefits other than pensions. GASB 75 requires the City and Schools to report OPEB liabilities and related deferrals and expenses in its financial statements. To implement GASB 75, total net position at the beginning of the year was restated, as follows, to reflect beginning net OPEB liability and deferred outflows of resources related to contributions made subsequent to the measurement date for the City and Schools’ VRS OPEB plans that have a measurement date of the prior fiscal year:

	<b>Government-wide Statement of Net Position</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Unit-Schools</b>
Net position, beginning of year, (previously reported)	\$ 21,928,197	\$ 7,177,923	\$ (13,067,280)
Net OPEB liability	(1,488,193)	(57,900)	(3,318,348)
Deferred outflows - contributions subsequent to the measurement date	43,738	1,801	194,476
OPEB obligation	409,908	16,677	(46,661)
Net position, beginning of year (restated)	<u>\$ 20,893,650</u>	<u>\$ 7,138,501</u>	<u>\$ (16,237,813)</u>

## 19. Subsequent event

In July 2018, the City closed on the issuance of \$18,070,000 of general obligation bonds. The proceeds of the 2018 Bonds will be used to finance the cost of various vehicles, equipment, and certain City public school and City capital improvements including, but not limited to, renovation of Poquoson Middle School.

\* \* \* \* \*

*Required Supplementary Information*

**Budgetary Comparison Schedule - General Fund (Budget Basis)****Year Ended June 30, 2018**

	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	\$ 16,400,000	\$ 16,400,000	\$ 16,679,760	\$ 279,760
Public service corporation property taxes	226,000	226,000	253,698	27,698
Personal property	2,533,599	2,533,599	2,706,239	172,640
Penalties and interest	165,000	165,000	124,537	(40,463)
<b>Total general property taxes</b>	<b>19,324,599</b>	<b>19,324,599</b>	<b>19,764,234</b>	<b>439,635</b>
Other local taxes				
Sales and use taxes	1,056,604	1,056,604	1,049,417	(7,187)
Meals taxes	749,312	749,312	747,407	(1,905)
Cigarette taxes	100,000	100,000	88,044	(11,956)
Consumers' utility taxes	305,000	305,000	304,417	(583)
Consumption tax	45,000	45,000	42,231	(2,769)
Business license taxes	430,000	430,000	444,987	14,987
Bank stock taxes	38,000	38,000	53,522	15,522
Recordation and wills taxes	197,700	197,700	191,200	(6,500)
Deeds of conveyance	40,000	40,000	43,315	3,315
<b>Total other local taxes</b>	<b>2,961,616</b>	<b>2,961,616</b>	<b>2,964,540</b>	<b>2,924</b>
Permits, privilege fees, and regulatory licenses				
Animal license	5,600	5,600	7,583	1,983
Permits and other licenses	192,000	192,000	112,412	(79,588)
<b>Total permits, privilege fees, and regulatory licenses</b>	<b>197,600</b>	<b>197,600</b>	<b>119,995</b>	<b>(77,605)</b>
Fines and forfeitures				
	42,000	42,000	42,695	695
Revenue from use of money and property				
Revenue from use of money	22,000	22,000	100,286	78,286
Revenue from use of property	192,800	192,800	183,271	(9,529)
<b>Total revenue from use of money and property</b>	<b>214,800</b>	<b>214,800</b>	<b>283,557</b>	<b>68,757</b>

(Continued)

**Budgetary Comparison Schedule - General Fund (Budget Basis)****Year Ended June 30, 2018**

	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	-	-	50	50
Charges for copying	6,000	6,000	3,710	(2,290)
Charges for passport processing	50,000	50,000	54,184	4,184
Charges for library and fees	17,400	17,400	19,309	1,909
EMS revenue recovery	292,000	292,000	312,432	20,432
Charges for school grounds maintenance	3,000	3,000	-	(3,000)
Charges for Parks & Recreation programs	132,600	135,016	143,294	8,278
Charges for pool	71,250	71,250	63,006	(8,244)
Charges for events	136,430	136,430	162,425	25,995
<b>Total charges for services</b>	<b>708,680</b>	<b>711,096</b>	<b>758,410</b>	<b>47,314</b>
Miscellaneous revenue				
Miscellaneous	6,000	6,313	2,732	(3,581)
Miscellaneous grants	-	-	11,629	11,629
Donations - library	-	15,221	15,221	-
Donations - police	-	275	275	-
Gain on sale of capital assets	-	-	403,413	403,413
<b>Total miscellaneous revenue</b>	<b>6,000</b>	<b>21,809</b>	<b>433,270</b>	<b>411,461</b>
Intergovernmental				
Revenue from the Commonwealth				
Noncategorical aid				
DMV reimbursement	122,000	122,000	124,515	2,515
Mobile home titling taxes	12,000	12,000	15,034	3,034
Rolling stock tax	-	-	11	11
Personal property tax relief	1,923,435	1,923,435	1,923,431	(4)
<b>Total noncategorical aid</b>	<b>2,057,435</b>	<b>2,057,435</b>	<b>2,062,991</b>	<b>5,556</b>
Categorical aid				
Shared expenses				
Commissioner of the Revenue	105,791	105,791	102,064	(3,727)
Treasurer	101,497	101,497	102,399	902
Registrar/Electoral Board	35,000	35,000	37,343	2,343
<b>Total categorical aid</b>	<b>242,288</b>	<b>242,288</b>	<b>241,806</b>	<b>(482)</b>

(Continued)

**Budgetary Comparison Schedule - General Fund (Budget Basis)****Year Ended June 30, 2018**

	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	47,857	53,549	66,037	12,488
Department of Emergency Services	-	41,000	40,980	(20)
Street and highway maintenance	880,000	880,000	880,000	-
Litter control	-	6,038	6,038	-
Library	144,129	144,199	144,199	-
Children's Services Act	216,000	361,000	321,388	(39,612)
State drug seizure	-	-	800	800
Other state grants	-	-	4,170	4,170
<b>Total other categorical aid</b>	<b>1,528,696</b>	<b>1,726,496</b>	<b>1,704,324</b>	<b>(22,172)</b>
<b>Total categorical aid</b>	<b>1,770,984</b>	<b>1,968,784</b>	<b>1,946,130</b>	<b>(22,654)</b>
<b>Total revenue from the Commonwealth</b>	<b>3,828,419</b>	<b>4,026,219</b>	<b>4,009,121</b>	<b>(17,098)</b>
Revenue from the federal government				
Federal grants	55,500	94,315	47,524	(46,791)
Miscellaneous	800	800	810	10
<b>Total revenue from the federal government</b>	<b>56,300</b>	<b>95,115</b>	<b>48,334</b>	<b>(46,781)</b>
Other financing sources				
Transfer from Sewer Fund	150,000	215,000	150,000	(65,000)
Transfer from Solid Waste Fund	50,000	50,000	50,000	-
Transfer from unappropriated fund	127,230	330,939	-	(330,939)
<b>Total other financing sources</b>	<b>327,230</b>	<b>595,939</b>	<b>200,000</b>	<b>(395,939)</b>
<b>Total revenue and other financing sources</b>	<b>27,667,244</b>	<b>28,190,793</b>	<b>28,624,156</b>	<b>433,363</b>

(Continued)

**Budgetary Comparison Schedule - General Fund (Budget Basis)****Year Ended June 30, 2018**

	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	65,396	65,396	72,564	(7,168)
General and financial administration				
City Manager	436,263	436,261	448,080	(11,819)
Legal services	119,305	119,305	107,834	11,471
Independent auditor	54,980	54,980	38,757	16,223
Commissioner of the Revenue	303,193	303,193	282,385	20,808
Assessor/equalization board	194,576	194,576	182,602	11,974
Treasurer	331,261	331,261	337,237	(5,976)
Finance	459,772	459,772	523,837	(64,065)
Technology	106,750	106,750	75,151	31,599
Risk management	54,080	54,080	51,871	2,209
<b>Total general and financial administration</b>	<b>2,060,180</b>	<b>2,060,178</b>	<b>2,047,754</b>	<b>12,424</b>
Board of Elections - Electoral Board and Registrar	158,572	206,572	203,247	3,325
<b>Total general government administration</b>	<b>2,284,148</b>	<b>2,332,146</b>	<b>2,323,565</b>	<b>8,581</b>
Judicial Administration				
Courts	214,570	214,570	228,061	(13,491)
Sheriff	214,602	214,602	214,602	-
<b>Total judicial administration</b>	<b>429,172</b>	<b>429,172</b>	<b>442,663</b>	<b>(13,491)</b>
Public Safety				
Law enforcement and traffic control - police department	2,782,317	2,837,196	2,788,537	48,659
Fire and rescue services - fire department	3,027,948	3,221,328	3,285,708	(64,380)
Correction and detention - regional operated institutions	325,905	325,905	339,601	(13,696)
Inspections - various	258,938	258,938	245,659	13,279
Other protection - animal control	82,000	82,000	80,325	1,675
<b>Total public safety</b>	<b>6,477,108</b>	<b>6,725,367</b>	<b>6,739,830</b>	<b>(14,463)</b>

(Continued)

**Budgetary Comparison Schedule - General Fund (Budget Basis)****Year Ended June 30, 2018**

	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	196,727	196,727	174,898	21,829
Highways, streets, bridges, and sidewalks	1,483,251	1,548,564	1,359,880	188,684
Street lights	82,000	82,000	86,037	(4,037)
<b>Total maintenance of highways, streets, bridges, and sidewalks</b>	<b>1,761,978</b>	<b>1,827,291</b>	<b>1,620,815</b>	<b>206,476</b>
Maintenance of general buildings and grounds	204,470	204,470	203,220	1,250
<b>Total public works</b>	<b>1,966,448</b>	<b>2,031,761</b>	<b>1,824,035</b>	<b>207,726</b>
Health and welfare				
Health				
Local health department	38,839	38,839	33,573	5,266
Mosquito control	286,752	286,752	281,057	5,695
<b>Total health</b>	<b>325,591</b>	<b>325,591</b>	<b>314,630</b>	<b>10,961</b>
Mental health and mental retardation - mental health	249,899	249,899	249,899	-
Welfare				
Social Services	285,870	285,870	289,193	(3,323)
Children Services Act	300,000	445,000	509,523	(64,523)
<b>Total welfare</b>	<b>585,870</b>	<b>730,870</b>	<b>798,716</b>	<b>(67,846)</b>
<b>Total health and welfare</b>	<b>1,161,360</b>	<b>1,306,360</b>	<b>1,363,245</b>	<b>(56,885)</b>
Education - Schools	9,935,403	9,964,764	9,853,778	110,986
<b>Total education</b>	<b>9,935,403</b>	<b>9,964,764</b>	<b>9,853,778</b>	<b>110,986</b>
Parks, recreation, and cultural				
Supervision of parks and recreation	447,961	448,461	433,194	15,267
Pool operations	138,546	140,462	130,925	9,537
Seafood Festival Events	220,107	220,107	213,681	6,426
Library - administration	869,030	896,192	865,366	30,826
<b>Total parks, recreation, and cultural</b>	<b>1,675,644</b>	<b>1,705,222</b>	<b>1,643,166</b>	<b>62,056</b>
Community development				
Planning	332,168	332,168	351,526	(19,358)
Economic development	134,753	134,753	104,092	30,661
Community development	151,318	161,531	157,037	4,494
<b>Total community development</b>	<b>618,239</b>	<b>628,452</b>	<b>612,655</b>	<b>15,797</b>
Nondepartmental				
Nondepartmental - miscellaneous	17,430	13,257	8,081	5,176
Department of Motor Vehicles Select	111,621	111,621	105,929	5,692
<b>Total nondepartmental</b>	<b>129,051</b>	<b>124,878</b>	<b>114,010</b>	<b>10,868</b>

(Continued)

**Budgetary Comparison Schedule - General Fund (Budget Basis)****Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
				Positive (Negative)
<b>Other Financing Uses</b>				
Transfers to Debt Service Fund	2,902,671	2,902,671	2,902,671	-
Transfers to Capital Projects Fund	88,000	40,000	40,000	-
Transfers to OPEB Trust Fund	-	-	-	-
<b>Total other financing uses</b>	<b>2,990,671</b>	<b>2,942,671</b>	<b>2,942,671</b>	<b>-</b>
 <b>Total expenditures and other financing uses</b>	 <b>27,667,244</b>	 <b>28,190,793</b>	 <b>27,859,618</b>	 <b>331,175</b>
 <b>Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses - budgetary basis</b>	 <b>\$ -</b>	 <b>\$ -</b>	 <b>\$ 764,538</b>	 <b>\$ 764,538</b>
 <b>Less encumbrances beginning of year, actually expended as of end of year</b>	 <b>(174,249)</b>			
 <b>Add encumbrances outstanding end of year</b>		 <b>270,592</b>		
 The Grant Fund is consolidated into the General Fund for reporting purposes:				
<b>Revenues</b>				
Local matching funds			83,269	
State grant			250,745	
Federal grant			<b>1,143,602</b>	
<b>Total Revenue</b>			<b>1,477,616</b>	
<b>Expenditures</b>				
Community Development expenditures			<b>1,479,218</b>	
 <b>Excess of revenue and other financing sources over expenditures and other financing uses, GAAP basis</b>	 <b>859,279</b>			
 <b>Fund balances, June 30, 2017</b>	 <b>7,473,351</b>			
 <b>Fund balances, June 30, 2018</b>	 <b>\$ 8,332,630</b>			

(Concluded)

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

**Year Ended June 30, 2018**

	2018	2017	2016	2015
<b>Schedule of Changes in Net Pension Liability and Related Ratios</b>				
<b>Total Pension Liability</b>				
Service cost	\$ 724,837	\$ 713,981	\$ 668,757	\$ 699,997
Interest	2,087,510	1,999,442	1,940,826	1,830,447
Change in assumptions	(350,459)	-	-	-
Difference between expected and actual experience	(525,567)	(413,719)	(806,075)	-
Benefit payments, including refunds of member contributions	(1,105,403)	(977,768)	(954,501)	(952,710)
<b>Net change in total pension liability</b>	<b>830,918</b>	<b>1,321,936</b>	<b>849,007</b>	<b>1,577,734</b>
Plan total pension liability, beginning	30,374,277	29,052,341	28,203,334	26,625,600
<b>Plan total pension liability, ending</b>	<b>\$31,205,195</b>	<b>\$30,374,277</b>	<b>\$29,052,341</b>	<b>\$28,203,334</b>
<b>Plan Fiduciary Net Pension</b>				
Contributions - employer	\$ 527,937	\$ 750,690	\$ 585,103	\$ 506,435
Contributions - employee	319,696	285,757	282,529	274,820
Net investment income	3,261,440	466,018	1,157,070	3,453,469
Benefit payments, including refunds of member contributions	(1,105,403)	(977,768)	(954,501)	(952,710)
Administrative expense	(18,731)	(16,118)	(15,704)	(18,572)
Other changes	(2,903)	(196)	(243)	199
<b>Net change in plan fiduciary net position</b>	<b>2,982,036</b>	<b>508,383</b>	<b>1,054,254</b>	<b>3,263,641</b>
Plan fiduciary net position, beginning	26,717,954	26,209,571	25,155,317	21,891,693
<b>Plan fiduciary net position, ending</b>	<b>\$29,699,990</b>	<b>\$26,717,954</b>	<b>\$26,209,571</b>	<b>\$25,155,334</b>
<b>Plan net pension liability, ending</b>	<b>\$ 1,505,205</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	95.18%	87.96%	90.22%	89.19%
Covered payroll	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974	\$ 5,499,693
Plan net position liability as a percentage of covered payroll	24.73%	63.46%	50.04%	55.42%

**Notes to Schedule:**

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

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

	<b>Schedule of Employer Contributions</b>			
Contractually required contribution	\$ 606,319	\$ 594,684	\$ 747,041	\$ 725,460
Contribution in relation to contractually required contribution	545,751	527,937	720,636	619,948
Contribution (deficiency)	<b>\$ (60,568)</b>	<b>\$ (66,747)</b>	<b>\$ (26,405)</b>	<b>\$ (105,512)</b>
Covered payroll	\$ 6,205,925	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974
Contributions as a percentage of covered payroll	8.79%	8.67%	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:**

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% to 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 - Schools**

**Year Ended June 30, 2018**

	2018	2017	2016	2015
<b>Schedule of Changes in Net Pension Liability and Related Ratios</b>				
<b>Total Pension Liability</b>				
Service cost	\$ 54,653	\$ 59,525	\$ 55,952	\$ 62,503
Interest	160,141	152,141	147,547	143,652
Change in assumptions	11,087	-	-	-
Difference between expected and actual experience	(127,994)	51,061	20,244	-
Benefit payments, including refunds of member contributions	(136,614)	(160,271)	(155,952)	(145,077)
<b>Net change in total pension liability</b>	<b>(38,727)</b>	<b>102,456</b>	<b>67,791</b>	<b>61,078</b>
Plan total pension liability, beginning	2,356,034	2,253,578	2,185,787	2,124,709
<b>Plan total pension liability, ending</b>	<b>\$ 2,317,307</b>	<b>\$ 2,356,034</b>	<b>\$ 2,253,578</b>	<b>\$ 2,185,787</b>
<b>Plan Fiduciary Net Pension</b>				
Contributions - employer	\$ 55,375	\$ 62,751	\$ 64,124	\$ 70,068
Contributions - employee	25,660	24,934	25,682	23,877
Net investment income	227,250	32,149	86,123	264,482
Benefit payments, including refunds of member contributions	(136,614)	(160,271)	(155,952)	(145,077)
Administrative expense	(1,339)	(1,222)	(1,229)	(1,455)
Other changes	(201)	(14)	(16)	(14)
<b>Net change in plan fiduciary net position</b>	<b>170,131</b>	<b>(41,673)</b>	<b>18,732</b>	<b>211,881</b>
Plan fiduciary net position, beginning	1,888,874	1,930,547	1,911,815	1,699,906
<b>Plan fiduciary net position, ending</b>	<b>\$ 2,059,005</b>	<b>\$ 1,888,874</b>	<b>\$ 1,930,547</b>	<b>\$ 1,911,787</b>
<b>Plan net pension liability, ending</b>	<b>\$ 258,302</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	88.85%	80.17%	85.67%	87.46%
Covered payroll	\$ 552,624	\$ 528,531	\$ 613,843	\$ 508,270
Plan net position liability as a percentage of covered payroll	46.74%	88.39%	52.62%	53.91%

**Notes to Schedule:**

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

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

	<b>Schedule of Employer Contributions</b>				
Contractually required contribution	\$ 51,375	\$ 56,380	\$ 64,333	\$ 66,869	
Contribution in relation to contractually required contribution	51,375	56,380	64,333	66,869	
Contribution excess	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 526,973	\$ 552,624	\$ 528,531	\$ 613,843	
Contributions as a percentage of covered payroll	9.75%	10.20%	12.17%	10.89%	

**Notes to Schedule:**

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

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

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

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% to 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 Schools' Proportionate Share of the Net Pension Liability and Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - Teachers' Pool**

**Year Ended June 30, 2018**

	2018	2017	2016	2015
<b>Schedule of Proportionate Share of the Net Pension Liability</b>				
Proportionate percentage of the net pension liability	0.14631%	0.14548%	0.14682%	0.14753%
Proportionate share of the net pension liability	\$ 17,993,000	\$ 20,387,000	\$ 18,479,000	\$ 17,829,000
Covered payroll	11,491,017	11,097,066	10,969,314	10,827,561
Proportionate share of the net pension liability as a percentage of covered payroll	156.58%	183.72%	168.46%	164.66%
Plan fiduciary net position as a percentage of the total pension liability	72.92%	68.28%	70.68%	70.88%
<b>Schedule of Employer Contributions</b>				
Contractually required contribution	\$ 1,836,367	\$ 1,652,204	\$ 1,555,410	\$ 1,564,756
Contribution in relation to contractually required contribution	1,836,367	1,652,204	1,555,410	1,564,756
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 11,559,264	\$ 11,491,017	\$ 11,097,066	\$ 10,969,314
Contributions as a percentage of covered payroll	15.89%	14.38%	14.02%	14.26%

**Notes to Schedule:**

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

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

**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:	2.5%
Projected salary increases:	3.5% to 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 OPEB Liability and Related City OPEB Trust - City****Year Ended June 30, 2018****Schedule of Changes in Net OPEB Liability and Related Ratios**

	<b>2018</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 77,260
Interest	56,357
Change in benefit terms	695,727
Change in assumptions	626,795
Difference between expected and actual experience	(280,164)
Benefit payments, including refunds of member contributions	(47,037)
<b>Net change in total OPEB liability</b>	<b>1,128,938</b>
Plan total OPEB liability, beginning	838,043
<b>Plan total OPEB liability, ending</b>	<b>\$ 1,966,981</b>

**Plan Fiduciary Net OPEB**

Contributions - employer	\$ 25,000
Net investment income	238
<b>Net change in plan fiduciary net position</b>	<b>25,238</b>
Plan fiduciary net position, beginning	-
<b>Plan fiduciary net position, ending</b>	<b>\$ 25,238</b>

**Plan net OPEB liability, ending**

Plan fiduciary net position as a percentage of the total OPEB liability	1.28%
Covered-employee payroll	\$ 7,020,980
Plan net position liability as a percentage of covered-employee payroll	27.66%

**Notes to Schedule:**

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

**Schedule of Employer Contributions**

<b>Date</b>	<b>Contributions</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>	<b>2018</b>
6/30/2018	\$ 25,000	\$ 7,020,980	0.36%	
6/30/2017	18,316	7,033,793	0.26%	
6/30/2016	49,751	6,705,875	0.74%	
6/30/2015	(1,875)	6,518,638	-0.03%	
6/30/2014	3,419	6,383,012	0.05%	
6/30/2013	(7,371)	6,304,830	-0.12%	
6/30/2012	12,593	6,251,323	0.20%	
6/30/2011	(11,189)	4,461,270	-0.25%	
Annual money-weighted rate of return				5.30%

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

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% to 5.35% per annum, compounded annually
Investment rate of return:	6.0% per annum, compounded annually
Healthcare cost trend rate:	5.50%

**NOTE:** Schedule is intended to show information for 10 years. June 30, 2018 is the first year for this presentation. Information prior to June 30, 2011 is not available; however, additional years will be included as they become available

**Schedules of Changes in Net OPEB Liability - Schools****Year Ended June 30, 2018****Schedule of Changes in Net OPEB Liability and Related Ratios**

	<b>2018</b>
<b>Total OPEB Liability</b>	
Service cost	\$ 15,200
Interest	10,003
Change in assumptions	134,473
Difference between expected and actual experience	(58,566)
Benefit payments, including refunds of member contributions	<u>(180,365)</u>
<b>Net change in total OPEB liability</b>	<u>(79,255)</u>
Plan total OPEB liability, beginning	280,348
<b>Plan total OPEB liability, ending</b>	<u><u>\$ 201,093</u></u>

Covered payroll	\$ 12,005,045
Net OPEB liability as a percentage of covered payroll	1.68%

**Notes to Schedule:**

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

**Schedule of Employer Contributions**

<b>Date</b>	<b>Contributions</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
6/30/2018	\$ 180,365	\$ 12,005,045	1.50%
6/30/2017	136,424	12,043,641	1.13%
6/30/2016	89,615	11,604,391	0.77%
6/30/2015	131,627	11,373,696	1.16%
6/30/2014	13,889	9,707,470	0.14%
6/30/2013	78,497	11,347,601	0.69%
6/30/2012	99,200	11,631,825	0.85%
6/30/2011	(5,612)	11,603,841	-0.05%

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

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:	2.5% per annum, compounded annually
Investment rate of return:	N/A
Healthcare cost trend rate:	5.50%

**NOTE:** Schedule is intended to show information for 10 years. June 30, 2018 is the first year for this presentation. Information prior to June 30, 2011 is not available; however, additional years will be included as they become available

**Schedules of Employer Share Of Net OPEB Liability Group Life  
Insurance (GLI) Program and Employer Contributions (Unaudited) -  
Virginia Retirement System - City**

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**Year Ended June 30, 2018**

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**Schedules of Proportionate Share of Net OPEB Liability GLI Program**

	<b>2018</b>
Employer's Proportion of the Net GLI OPEB Liability	0.03300%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 497,000
Covered Payroll	\$ 6,086,833
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.17%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

**Notes to Schedule:**

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

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

**Schedules of City Contributions**

<b>Date</b>	<b>Contributions in Relation to Contractually Required Contribution</b>		<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
	<b>Contractually Required Contribution</b>	<b>Contribution Deficiency</b>		
6/30/2018	\$ 32,271	\$ 32,368	\$ 6,205,925	0.52%
6/30/2017	31,652	31,652	6,086,833	0.52%
6/30/2016	30,535	27,660	5,761,310	0.48%
6/30/2015	30,109	27,243	5,680,974	0.48%

**Notes to Schedule:**

Actuarially determined contributions are developed using the entry age normal actuarial cost method.

**Note:** Schedule is intended to show information for 10 years. June 30, 2018 is the first year for this presentation.

Information prior to June 30, 2015 is not available; however, additional years will be included as they become available

**Schedules of Employer Share Of Net OPEB Liability Group Life  
Insurance (GLI) Program and Employer Contributions (Unaudited) -  
Virginia Retirement System - Schools**

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**Year Ended June 30, 2018**

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**Schedules of Proportionate Share of Net OPEB Liability GLI Program**

	<b>2018</b>
Employer's Proportion of the Net GLI OPEB Liability	0.00300%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 45,000
Covered Payroll	\$ 552,624
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.14%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

**Notes to Schedule:**

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

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

**Schedules of School Contributions**

<b>Date</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
	\$	\$	\$	\$	
6/30/2018	\$ 2,740	\$ 2,740	\$ -	\$ 526,973	0.52%
6/30/2017	2,874	2,874	-	552,624	0.52%
6/30/2016	2,537	2,537	-	528,531	0.48%
6/30/2015	2,946	2,578	368	613,843	0.42%

**Notes to Schedule:**

Actuarially determined contributions are developed using the entry age normal actuarial cost method.

**Note:** Schedule is intended to show information for 10 years. June 30, 2018 is the first year for this presentation.

Information prior to June 30, 2015 is not available; however, additional years will be included as they become available.

**Schedules of Employer Share Of Net OPEB Liability Group Life  
Insurance (GLI) Program and Employer Contributions (Unaudited) -  
Virginia Retirement System - Teachers' Pool**

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**Year Ended June 30, 2018**

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**Schedules of Proportionate Share of Net OPEB Liability GLI Program**

	<b>2018</b>
Employer's Proportion of the Net GLI OPEB Liability	0.06225%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 937,000
Covered Payroll	\$ 11,491,017
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.15%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

**Notes to Schedule:**

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

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

**Schedules of School Contributions**

<b>Date</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
	\$	\$	\$	\$	
6/30/2018	\$ 60,108	\$ 60,073	\$ 35	\$ 11,559,264	0.52%
6/30/2017	59,753	59,719	34	11,491,017	0.52%
6/30/2016	53,266	53,630	(364)	11,097,066	0.48%
6/30/2015	52,653	52,396	257	10,969,314	0.48%

**Notes to Schedule:**

Actuarially determined contributions are developed using the entry age normal actuarial cost method.

**Note:** Schedule is intended to show information for 10 years. June 30, 2018 is the first year for this presentation.

*In Information prior to June 30, 2015 is not available; however, additional years will be included as they become available.*

**Schedules of Employer Share Of Net OPEB Liability Health Insurance Credit (HIC) Program and Employer Contributions (Unaudited) - Virginia Retirement System - City**

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**Year Ended June 30, 2018**

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**Schedules of Proportionate Share of Net OPEB Liability HIC Program**

	<b>2018</b>
Employer's Proportion of the Net HIC OPEB Liability	0.75790%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$ 131,420
Covered Payroll	\$ 5,591,072
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	2.35%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	56.13%

**Notes to Schedule:**

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

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

**Schedules of City Contributions**

<b>Date</b>	<b>Contributions in Relation to Contractually Required Contribution</b>		<b>Contribution Deficiency</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
	<b>Contractually Required Contribution</b>	<b>Contractually Required Contribution</b>			
6/30/2018	\$ 16,135	\$ 14,894	\$ 1,241	\$ 6,205,925	0.24%
6/30/2017	14,537	14,537	-	5,591,072	0.26%
6/30/2016	15,379	15,119	260	5,303,225	0.29%
6/30/2015	15,138	15,111	27	5,220,099	0.29%

**Notes to Schedule:**

Actuarially determined contributions are developed using the entry age normal actuarial cost method.

**Note:** Schedule is intended to show information for 10 years. June 30, 2018 is the first year for this presentation.

Information prior to June 30, 2015 is not available; however, additional years will be included as they become available

**Schedules of Employer Share Of Net OPEB Liability Health Insurance Credit (HIC) Program and Employer Contributions (Unaudited) - Virginia Retirement System - Schools**

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**Year Ended June 30, 2018**

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**Schedules of Proportionate Share of Net OPEB Liability HIC Program**

	<b>2018</b>
Employer's Proportion of the Net HIC OPEB Liability	0.33449%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$ 58,000
Covered Payroll	\$ 552,624
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	10.50%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	56.13%

**Notes to Schedule:**

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

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

**Schedules of School Contributions**

<b>Date</b>	<b>Contributions in Relation to Contractually Required Contribution</b>		<b>Contribution Deficiency</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
	<b>Contractually Required Contribution</b>	<b>Contractually Required Contribution</b>			
6/30/2018	\$ 4,284	\$ 4,269	\$ 15	\$ 526,973	0.81%
6/30/2017	6,134	4,476	1,658	552,624	0.81%
6/30/2016	4,440	4,440	-	528,531	0.84%
6/30/2015	5,156	4,510	646	613,843	0.73%

**Notes to Schedule:**

Actuarially determined contributions are developed using the entry age normal actuarial cost method.

**Note:** Schedule is intended to show information for 10 years. June 30, 2018 is the first year for this presentation.

Information prior to June 30, 2015 is not available; however, additional years will be included as they become available.

**Schedules of Employer Share OF Net OPEB Liability Health Insurance Credit (HIC) Program and Employer Contributions (Unaudited) - Virginia Retirement System - Teachers' Pool**

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**Year Ended June 30, 2018**

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**Schedules of Proportionate Share of Net OPEB Liability HIC Program**

	<b>2018</b>
Employer's Proportion of the Net HIC OPEB Liability	0.14545%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$ 1,845,000
Covered Payroll	\$ 11,491,017
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	16.06%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	7.04%

**Notes to Schedule:**

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

Per GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

**Schedules of School Contributions**

<b>Date</b>	<b>Contributions in Relation to Contractually Required Contribution</b>		<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
	<b>Contractually Required Contribution</b>	<b>Contractually Required Contribution</b>		
6/30/2018	\$ 142,179	\$ 146,364	\$ 11,559,264	1.27%
6/30/2017	127,550	127,508	11,491,017	1.11%
6/30/2016	117,629	117,608	11,097,066	1.06%
6/30/2015	116,714	115,710	10,969,314	1.05%

**Notes to Schedule:**

Actuarially determined contributions are developed using the entry age normal actuarial cost method.

**Note:** Schedule is intended to show information for 10 years. June 30, 2018 is the first year for this presentation.

Information prior to June 30, 2015 is not available; however, additional years will be included as they become available.

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

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

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**June 30, 2018**

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#### **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.

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*Other Supplementary Information*

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

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**Year Ended June 30, 2018**

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	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Assets</b>				
Cash and cash equivalents	\$ 17,684	\$ 3,164	\$ -	\$ 20,848
<b>Liabilities</b>				
Amounts held for others	\$ 17,684	\$ 3,164	\$ -	\$ 20,848

**Combining Balance Sheet - Component Unit - Poquoson City Public Schools**

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**June 30, 2018**

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	<b>Governmental Activities</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Total Schools</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,754,991	\$ -	\$ 2,754,991
Restricted cash and cash equivalents	-	304,256	304,256
Due from other governmental units	379,832	-	379,832
Other receivables	24,213	-	24,213
Inventory	-	29,056	29,056
<b>Total assets</b>	<b>\$ 3,159,036</b>	<b>\$ 333,312</b>	<b>\$ 3,492,348</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 2,414,671	\$ -	\$ 2,414,671
Due to Primary Government	124,184	-	124,184
<b>Total liabilities</b>	<b>2,538,855</b>	<b>-</b>	<b>2,538,855</b>
<b>Fund Balances</b>			
Nonspendable	-	29,056	29,056
Restricted	-	304,256	304,256
Assigned, education	620,181	-	620,181
<b>Total fund balances</b>	<b>620,181</b>	<b>333,312</b>	<b>953,493</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,159,036</b>	<b>\$ 333,312</b>	<b>\$ 3,492,348</b>

***Combining Balance Sheet - Component Unit - Poquoson City Public Schools***

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**June 30, 2018**

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

Total fund balances - Component Unit - Schools	\$ 953,493
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.	5,304,247
Deferred outflows of resources for pension contributions, change of actuarial assumptions, and change in proportionate share of pension expense used in governmental activities are not financial resources and therefore, are not reported in the funds.	2,249,742
Deferred outflows of resources for OPEB contributions, difference between expected and actual experience, and change in proportionate share of OPEB expense used in governmental activities are not financial resources and therefore, are not reported in the funds.	347,650
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(21,716,260)
Deferred inflows of resources for differences between projected and actual earnings on OPEB plan investments, difference between expected and actual experience, and changes in actuarial assumptions are not due and payable in the current period and, therefore, are not reported in the funds.	(189,566)
Deferred inflows of resources for differences between projected and actual experience on pension plan investments, differences between expected and actual pension investment experiences, and change in proportionate share of pension expense are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,203,000)</u>
<b>Total net position - Component Unit - Schools</b>	<b><u>\$ (15,253,694)</u></b>

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

**Year Ended June 30, 2018**

	General Fund	Special Revenue	Total Schools
<b>Revenues</b>			
Charges for services	\$ -	\$ 769,811	\$ 769,811
Intergovernmental			
Commonwealth of Virginia	11,380,958	10,536	11,391,494
Federal government	1,210,091	177,973	1,388,064
Local government	9,853,778	-	9,853,778
Other	196,005	-	196,005
<b>Total revenues</b>	<b>22,640,832</b>	<b>958,320</b>	<b>23,599,152</b>
<b>Expenditures</b>			
Current			
Education	22,188,500	1,056,160	23,244,660
<b>Total expenditures</b>	<b>22,188,500</b>	<b>1,056,160</b>	<b>23,244,660</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>452,332</b>	<b>(97,840)</b>	<b>354,492</b>
<b>Other financing sources (uses)</b>			
Transfers in	-	196,391	196,391
Transfers out	(196,391)	-	(196,391)
<b>Total other financing sources (uses), net</b>	<b>(196,391)</b>	<b>196,391</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>255,941</b>	<b>98,551</b>	<b>354,492</b>
<b>Fund balance, beginning of year</b>	<b>364,240</b>	<b>234,761</b>	<b>599,001</b>
<b>Fund balance, end of year</b>	<b>\$ 620,181</b>	<b>\$ 333,312</b>	<b>\$ 953,493</b>

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

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**Year Ended June 30, 2018**

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**Reconciliation of Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances - Component Unit - Schools to Statement of Activities - Component Unit - Schools**

Net change in fund balances - total School Board funds	\$ 354,492
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Amount reported for governmental activities in the Statement of Activities are different because:

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

Capital outlay	286,135
Depreciation expense	(1,149,888)

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	603,158
Other postemployment benefits liability	195,863
Compensated absences	(4,306)

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

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	698,665
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<b>Change in net position of governmental activities</b>	<hr/> <b>\$ 984,119</b>
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**Budgetary Comparison Schedule - General Fund**  
**Component Unit - Poquoson City Public Schools**

**Year Ended June 30, 2018**

	General Fund				Variance With Final Budget
	Original Budget	Final Budget	Actual	Positive (Negative)	
<b>Revenues</b>					
Intergovernmental					
Commonwealth of Virginia	\$ 11,052,841	\$ 11,469,645	\$ 11,380,958	\$ (88,687)	
Federal government	1,155,352	1,520,901	1,210,091	(310,810)	
Local government	9,955,403	9,964,679	9,853,778	(110,901)	
Other	126,931	190,951	196,005	5,054	
<b>Total revenues</b>	<b>22,290,527</b>	<b>23,146,176</b>	<b>22,640,832</b>	<b>(505,344)</b>	
<b>Expenditures</b>					
Current					
Instruction	16,118,408	16,008,813	15,936,821	71,992	
Division-wide	1,114,267	1,168,227	1,164,523	3,704	
Transportation	823,127	794,855	789,947	4,908	
Operation and maintenance	1,823,273	2,138,934	2,137,656	1,278	
Food service	242,118	284,698	284,376	322	
Technology	1,176,482	1,415,827	1,303,473	112,354	
Grants	992,852	1,334,822	1,024,036	310,786	
<b>Total expenditures</b>	<b>22,290,527</b>	<b>23,146,176</b>	<b>22,640,832</b>	<b>505,344</b>	
<b>Other financing (uses)</b>					
Transfer out - special revenue fund	-	(196,391)	(196,391)	-	
<b>Total other financing (uses)</b>	<b>-</b>	<b>(196,391)</b>	<b>(196,391)</b>	<b>-</b>	
<b>Deficiency of revenues under expenditures and other financing uses - budgetary basis</b>	<b>\$ -</b>	<b>\$ (196,391)</b>	<b>\$ (196,391)</b>	<b>\$ -</b>	
<b>Less encumbrances outstanding beginning of year     actually expended as of end of year</b>				(364,240)	
<b>Add encumbrances outstanding end of year</b>				<b>620,181</b>	
<b>Excess of revenues over expenditures and other financing uses - GAAP basis</b>				<b>255,941</b>	
<b>Fund balance, beginning of year</b>				<b>364,240</b>	
<b>Fund balance, end of year</b>				<b>\$ 620,181</b>	

***Schedule of Changes in Assets and Liabilities - Agency Funds  
Component Unit - Poquoson City Public Schools***

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**Year Ended June 30, 2018**

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(School Activity Funds and Instructional Support Fund)

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Assets</b>				
Cash and cash equivalents	\$ 263,554	\$ 753,066	\$ 714,901	\$ 301,719
<b>Liabilities</b>				
Due to students	\$ 263,554	\$ 753,066	\$ 714,901	\$ 301,719

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

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**Year Ended June 30, 2018**

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<b>Cash flows from operating activities</b>	
Received from customers and users	\$ 35,498
Payments to suppliers for goods and services	(22,748)
<b>Net cash provided by operating activities</b>	<b>12,750</b>
 <b>Cash flows from noncapital financing agreements</b>	
Contributions from Primary Government	<b>5,000</b>
 <b>Cash flows from capital and related financing activities</b>	
Interest paid on capital debt	(38,668)
 <b>Net decrease in cash and cash equivalents</b>	(20,918)
<b>Cash and cash equivalents, beginning of year</b>	<b>20,918</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ -</b>
 <b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 4,269
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	17,789
Changes in assets and liabilities	
Accounts receivable	11,475
Accounts payable	(20,783)
<b>Net cash provided by operating activities</b>	<b>\$ 12,750</b>

## *City of Poquoson, Virginia*

### **Statistical Section Overview**

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**June 30, 2018**

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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.

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**City of Poquoson, Virginia**

**Table 1**

**Net Position by Component (unaudited)**

**Last Ten Fiscal Years**

	(Restated)		(Restated)		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
	2018	2017	2016	2015										
Governmental activities														
Net investment in capital assets	\$ 18,989,419	\$ 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				
Restricted	1,873,326	1,997,619	2,502,661	1,229,189	758,646	878,402	1,037,956	-	-	-				
Unrestricted	944,323	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				
<b>Total governmental activities</b>	<b>\$ 21,807,068</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>				
Business-type activities														
Net investment in capital assets	\$ 4,865,391	\$ 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				
Unrestricted	2,863,875	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				
<b>Total business-type activities</b>	<b>\$ 7,729,266</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>				
Primary Government														
Net investment in capital assets	\$ 23,854,810	\$ 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				
Restricted - capital projects	1,080,002	1,644,469	1,995,804	942,712	488,442	645,971	862,106	-	-	-				
Restricted - other	793,324	353,150	506,857	286,477	270,204	232,431	175,850	-	-	-				
Unrestricted	3,808,198	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				
<b>Total Primary Government</b>	<b>\$ 29,536,334</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>				

**City of Poquoson, Virginia**

**Table 2**

**Change in Net Position (unaudited)**

**Last Ten Fiscal Years**

	<b>2018</b>	<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>Expenses</b>										
Governmental activities										
General government	\$ 4,152,443	\$ 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
Public safety and judicial	7,136,755	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
Public works	2,108,673	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
Health and welfare	1,303,164	1,228,244	1,125,090	1,036,794	957,396	909,035	913,826	817,008	1,022,735	1,162,301
Education	10,249,813	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
Parks and recreation	1,647,715	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
Economic Development Authority	5,000	-	25,000	-	-	-	-	-	-	-
Community development	2,046,826	1,611,496	667,793	560,195	644,892	711,874	567,672	488,893	547,051	1,272,635
Interest on long-term debt	1,081,173	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
<b>Total governmental activities</b>	<b>29,731,562</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>
Business-type activities										
Sewer	1,439,188	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
Parks and recreation	-	-	-	-	-	-	455,199	450,025	401,006	463,662
Solid waste	756,231	806,210	793,688	746,243	863,191	842,251	743,280	791,114	766,921	768,565
<b>Total business-type activities</b>	<b>2,195,419</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>Total expenses</b>	<b>31,926,981</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>Program revenues</b>										
Governmental activities										
Charges for services:										
General government	179,790	1,269,889	343,486	236,877	276,781	218,338	223,152	223,887	254,482	274,901
Public safety and judicial	475,122	458,937	435,190	477,642	398,996	370,268	112,011	300,870	103,169	108,456
Education	-	3,655	47,520	43,914	35,343	36,347	49,188	36,347	-	-
Parks and recreation	77,252	85,445	89,096	80,871	76,741	80,352	74,609	61,820	217,372	55,288
Community development	347,472	317,701	330,949	324,945	312,043	330,873	300,206	33,721	22,614	22,741
Operating grants and contributions	1,752,658	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
Capital grants and contributions	2,059,956	645,565	837,446	507,190	599,361	458,320	732,846	419,225	330,892	2,873,294
<b>Total governmental activities</b>	<b>4,892,250</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>
Business-type activities										
Charges for services										
Sewer	2,095,278	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
Solid waste	846,418	819,845	801,841	796,892	863,890	862,297	212,730	189,782	743,965	586,277
Parks and recreation	-	-	-	-	-	-	743,936	755,834	179,070	171,459
<b>Total business-type activities</b>	<b>2,941,696</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>Total program revenues</b>	<b>7,833,946</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>Governmental activities, net expense</b>	<b>(24,839,312)</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>Business-type activities, net expense</b>	<b>746,277</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>Total Primary Government, net expenses</b>	<b>(24,093,035)</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>

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**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>General revenues and other changes in net position</b>										
Governmental activities										
Taxes										
Property taxes	\$ 21,616,868	\$ 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
Other taxes	2,964,540	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
Reimbursements from other agencies	139,561	137,731	158,675	128,897	159,612	84,883	58,458	75,318	102,239	95,694
Payments in lieu of taxes										
Investment earnings	283,557	251,622	221,823	200,759	188,699	189,710	181,274	183,284	156,139	179,671
Miscellaneous	548,204	86,193	419,424	165,351	184,222	236,197	196,203	(25,102)	51,462	99,725
Transfers	200,000	195,833	150,000	150,000	128,000	130,000	(118,799)	80,400	39,000	30,000
<b>Total governmental activities</b>	<b>25,752,730</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>
Business-type activities										
Investment earnings	35,208	35,973	34,964	33,357	35,470	26,440	32,131	29,476	30,522	29,264
Miscellaneous	9,280	331	160	4,357	587	2,677	128,520	132,530	99,480	141,797
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	(200,000)	(195,833)	(150,000)	(150,000)	(128,000)	(130,000)	118,799	(49,200)	(39,000)	(30,000)
<b>Total business-type activities</b>	<b>(155,512)</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>Total general revenues and other changes in net position</b>	<b>25,597,218</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>Change in net position</b>										
Governmental activities	913,418	1,152,964	2,149,020	1,698,363	(1,028,262)	(316,379)	(548,412)	785,852	(593,796)	2,113,020
Business-type activities	590,765	554,371	423,010	283,463	330,500	284,622	109,973	(708,571)	(352,067)	(339,735)
<b>Total Primary Government</b>	<b>\$ 1,504,183</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>

**City of Poquoson, Virginia**

**Table 3**

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

**Last Ten Fiscal Years**

	<b>2018</b>	<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>
General fund										
Non-spendable	\$ 1,828,040	\$ 1,847,268	\$ 1,861,498	\$ 1,880,726	\$ 1,899,954	\$ 1,968,595	\$ 254,474	\$ 273,051	\$ -	\$ -
Restricted	793,324	353,150	348,557	286,477	270,204	234,126	175,850	193,477	-	-
Assigned	367,729	914,114	829,475	855,862	706,877	426,772	679,065	447,892	-	-
Unassigned	5,343,537	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
Asset forfeiture	-	-	-	-	-	-	-	-	83,704	89,261
Fire department	-	-	-	-	-	-	-	-	100,858	69,671
Library	-	-	-	-	-	-	-	-	13,015	13,861
Heritage Park	-	-	-	-	-	-	-	-	6,060	-
Unreserved	-	-	-	-	-	-	-	-	4,338,582	3,389,561
<b>Total General Fund</b>	<b>\$ 8,332,630</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>
All other governmental funds										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,080,002	1,644,469	2,154,104	942,712	488,442	645,971	862,106	478,967	-	-
Assigned	666,063	769,329	706,113	822,546	573,040	651,746	376,082	391,118	-	-
Reserved for										
Grants	-	-	-	-	-	-	-	-	-	32,077
Construction - bond principal	-	-	-	-	-	-	-	-	651,191	826,219
Construction - bond earnings	-	-	-	-	-	-	-	-	-	-
Unreserved for										
Designated	-	-	-	-	-	-	-	-	-	-
Unreserved and undesignated	-	-	-	-	-	-	-	-	258,713	470,991
<b>Total all other governmental funds</b>	<b>\$ 1,746,065</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>

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

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

## Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues</b>										
General property taxes	\$ 19,764,234	\$ 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
Other local taxes	2,964,540	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
Permits, privilege fees, and regulatory licenses	119,995	157,800	150,186	168,314	89,910	76,040	97,314	78,464	70,947	83,775
Fines and forfeitures	42,695	34,665	41,742	44,898	73,024	58,103	43,603	54,907	54,836	46,859
Revenue from use of money and property	283,557	251,622	221,823	200,759	188,699	189,710	183,310	183,282	157,426	224,492
Charges for services	758,409	689,823	719,627	730,274	677,961	683,698	395,096	299,386	217,372	55,909
Intergovernmental	6,034,143	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
Miscellaneous	523,784	77,683	406,388	187,840	216,483	260,245	215,548	128,881	60,625	86,991
<b>Total revenues</b>	<b>30,491,357</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>Expenditures</b>										
Current										
General government and administration	2,367,377	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
Public safety and judicial	7,082,765	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
Public works	1,800,787	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
Health and welfare	1,308,293	1,226,563	1,127,881	1,038,823	938,191	892,421	897,082	802,490	1,016,083	1,131,499
Parks, recreation, and cultural	1,673,714	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
Community development	2,088,168	1,616,597	686,316	588,060	643,567	705,927	577,990	490,912	529,529	1,236,529
Nondepartmental	119,940	138,342	114,470	113,192	125,312	144,213	359,518	112,981	329,279	134,282
Education	9,853,778	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
Economic Development Authority	5,000		25,000	-	-	-	-	-	40,000	51,250
Capital outlay	1,360,988	1,468,075	1,202,670	822,462	991,003	794,678	1,119,347	814,871	838,069	7,085,050
Debt service										
Principal retirement	2,000,899	1,935,001	2,078,058	1,464,000	886,835	684,426	867,647	896,963	1,358,073	1,414,131
Bond issuance costs	-	-	298,907	-	-	-	310,631	43,263	234,339	139,699
Interest and fiscal charges	1,005,102	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
<b>Total expenditures</b>	<b>30,666,811</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>Excess (deficiency) of revenues over expenditures</b>	<b>(175,454)</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>Other financing sources (uses)</b>										
Transfers in	3,142,671	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
Issuance of debt, net	167,000	127,224	1,085,443	292,057	-	1,734,000	998,972	39,914	457,391	2,514,557
Transfers out	(2,942,671)	(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)
<b>Total other financing sources, net</b>	<b>367,000</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>Net change in fund balances</b>	<b>\$ 191,546</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>
Debt service as a percentage of noncapital expenditures	10.21%	9.85%	12.06%	10.28%	8.35%	7.52%	8.88%	8.98%	11.68%	11.18%

## 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
2018	\$ 1,481,592,900	\$ 99,130,100	\$ 2,018,600	\$ 1,582,741,600	\$ 104,112,600	\$ 1.07	\$ 1,583,888,262	100%
2017	\$ 1,422,141,000	\$ 108,653,342	\$ 2,018,000	\$ 1,532,812,342	\$ 104,188,800	\$ 1.07	\$ 1,548,341,465	99%
2016	\$ 1,416,700,300	\$ 106,316,055	\$ 2,018,000	\$ 1,525,034,355	\$ 104,751,400	\$ 1.07	\$ 1,540,287,555	99%
2015	\$ 1,419,250,800	\$ 97,448,871	\$ 2,012,700	\$ 1,518,712,371	\$ 104,076,490	\$ 1.07	\$ 1,518,712,371	100%
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%

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
2018	\$ 16,950,876	\$ -	\$ 16,950,876	\$ 16,809,342	99.17%	\$ -	\$ 16,809,342	99.17%
2017	\$ 16,283,816	\$ 23,680	\$ 16,307,496	\$ 16,136,972	98.95%	\$ 110,304	\$ 16,247,276	99.63%
2016	\$ 16,111,062	\$ 12,802	\$ 16,123,864	\$ 15,942,338	98.87%	\$ 142,293	\$ 16,084,631	99.76%
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%

Source: City of Poquoson Treasurer's Department

## Principal Taxpayers - 2018 and Nine Years Ago (Unaudited)

Taxpayer	Type of Business	2018		2009	
		Assessed Real Estate	Percentage of Total Real Estate Assessment	Assessed Real Estate	Percentage of Total Real Estate Assessment
Poquoson Place Apartments	Apartment Rentals	\$ 9,155,600	0.58%	\$ 10,265,000	0.60%
Whitehouse Cove, LLC	Marina / Mobile Home Park	3,770,600	0.24%	-	0.00%
Poquoson Commons Retail Investors, Inc.	Shopping Center	6,903,200	0.44%	6,844,500	0.40%
Poquoson Shopping Center, L.L.C.	Shopping Center	6,232,400	0.39%	5,002,300	0.29%
Shamrock Redwood Whitehouse LLC	Mobile Home Park	5,372,700	0.34%	-	0.00%
SGC Wythe Creek, L.L.C.	Shopping Center	4,089,300	0.27%	4,407,200	0.26%
GPH Poquoson L.L.C.	Nursing Home	6,297,500	0.40%	3,468,200	0.20%
Islander Associates	Apartment Rentals	3,501,800	0.22%	3,960,000	0.23%
Universal of Poquoson	Mobile Home Park	-	0.00%	3,378,000	0.20%
Hunt Properties of Poquoson, Inc.	Storage Facilities	-	0.00%	3,959,900	0.23%
Marquee Homes at Poquoson Lakes, Inc.	Subdivision	-	0.00%	3,673,800	0.22%
Poquoson Marina Associates	Marina / Mobile Home Park	-	0.00%	6,912,100	0.41%
City of Newport News	Public Service	4,307,700	0.27%	-	0.00%
SNH CHS Properties Trust	Nursing Home	5,038,000	0.32%	-	0.00%
		\$ 54,668,800	3.46%	\$ 51,871,000	3.05%

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Total assessed value of taxed real property</b>										
General	\$ 1,709,224,591	\$ 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
Public service corporations	22,620,001	22,397,342	20,060,055	18,657,291	19,993,917	18,123,219	20,526,707	16,937,906	17,335,011	13,481,068
<b>Total</b>	<b>\$ 1,731,844,592</b>	<b>\$ 1,641,465,684</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>Debt limit (10% of total assessed value)</b>	<b>\$ 173,184,459</b>	<b>\$ 164,146,568</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>Debt applicable to debt limit</b>										
General obligation bonds, other than those authorized for a specific revenue producing project	\$21,734,586	\$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
Capital leases	228,325	-	-	-	-	83,166	163,593	241,240	316,204	388,577
Sewer general obligation bonds	5,940,002	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
State literary fund loans	250,000	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
	<b>28,152,913</b>	<b>30,329,586</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>Margin for additional borrowing</b>	<b>\$ 145,031,546</b>	<b>\$ 133,816,982</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>Total net debt applicable to the limit as a percentage of debt limit</b>	<b>16.26%</b>	<b>18.48%</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>

*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	Capital Leases	Sewer Bonds				
2018	\$ 25,292,387	\$ 250,000	\$ 228,325	\$ 6,359,159	\$ 32,129,871	N/A	N/A	N/A	N/A
2017	\$ 27,282,853	\$ 500,000	\$ 127,224	\$ 6,879,308	\$ 34,789,385	N/A	N/A	N/A	\$ 2,826
2016	\$ 29,273,324	\$ 750,000	\$ -	\$ 7,374,457	\$ 37,397,781	\$ 84,643	1.0%	\$ 3,044	
2015	\$ 28,786,818	\$ 1,000,000	\$ 292,057	\$ 7,789,604	\$ 37,868,479	\$ 83,780	0.9%	\$ 3,064	
2014	\$ 29,843,650	\$ 1,250,000	\$ -	\$ 8,669,904	\$ 39,763,554	\$ 83,496	1.0%	\$ 3,256	
2013	\$ 30,500,952	\$ 1,530,820	\$ 83,166	\$ 8,305,000	\$ 40,419,938	\$ 81,701	1.0%	\$ 3,347	
2012	\$ 28,328,321	\$ 1,807,820	\$ 163,593	\$ 8,971,631	\$ 39,271,365	\$ 85,033	1.1%	\$ 3,195	
2011	\$ 28,162,916	\$ 2,084,820	\$ 241,240	\$ 9,374,924	\$ 39,863,900	\$ 86,611	1.2%	\$ 32,148	
2010	\$ 28,685,786	\$ 2,361,820	\$ 316,204	\$ 9,733,441	\$ 41,097,251	\$ 84,315	1.2%	\$ 3,379	
2009	\$ 29,332,470	\$ 2,763,820	\$ 388,577	\$ 9,592,392	\$ 42,077,259	\$ 84,688	1.2%	\$ 3,463	

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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
2018	N/A	\$ 1,582,741,600	\$ 25,542,387	1.61%	N/A
2017	12,311	\$ 1,532,812,342	\$ 27,782,853	1.81%	\$ 2,257
2016	12,287	\$ 1,525,034,355	\$ 30,023,324	1.97%	\$ 2,444
2015	12,359	\$ 1,518,712,371	\$ 29,786,818	1.96%	\$ 2,410
2014	12,212	\$ 1,513,018,247	\$ 31,093,650	2.06%	\$ 2,546
2013	12,076	\$ 1,526,769,279	\$ 32,031,772	2.10%	\$ 2,653
2012	12,291	\$ 1,519,389,327	\$ 30,136,141	1.98%	\$ 2,452
2011	12,240	\$ 1,728,246,736	\$ 30,247,736	1.75%	\$ 2,471
2010	12,162	\$ 1,719,852,121	\$ 31,047,606	1.81%	\$ 2,553
2009	11,791	\$ 1,698,795,508	\$ 32,096,290	1.89%	\$ 2,722

Source: (1) Weldon Cooper Center for Public Service

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

N/A - This information is not available.

***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)
2018	N/A	N/A	N/A	2,122	2.7%
2017	12,311	N/A	N/A	2,106	3.5%
2016	12,287	\$ 4,334	\$ 54,159	2,059	3.5%
2015	12,359	\$ 4,367	\$ 54,592	2,108	4.1%
2014	12,212	\$ 4,205	\$ 53,646	2,095	4.7%
2013	12,076	\$ 4,069	\$ 51,718	2,125	5.3%
2012	12,291	\$ 3,931	\$ 50,236	2,178	5.8%
2011	1,240	\$ 3,716	\$ 47,564	2,231	5.9%
2010	12,162	\$ 3,517	\$ 45,334	2,325	6.2%
2009	11,791	\$ 3,456	\$ 47,380	2,398	5.6%

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 - 2018 and Nine Years Ago (Unaudited)***

Employment	2018		2009	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Poquoson City Public Schools	280	16.75%	324	15.73%
City of Poquoson	145	8.67%	157	7.62%
Farm Fresh	N/A	N/A	82	3.98%
Golden Living Center/Bayside	86	5.14%	55	2.70%
Food Lion	74	4.43%	51	2.70%
Surf Rider	50	2.99%	N/A	N/A
Dominion Village at Poquoson	40	2.39%	N/A	N/A
Wendy's Restaurant	25	1.50%	N/A	N/A
Poquoson Vet	23	1.38%	N/A	N/A
McDonald's Restaurant	34	2.03%	50	2.43%
Stephen's Office Supply	20	1.20%	27	1.31%
Taylor's Do It Center	14	0.84%	N/A	N/A
Unity Business Systems	11	0.66%	28	1.36%
Pizza Hut	N/A	N/A	40	1.94%
Village Williamsburg	N/A	N/A	46	2.23%
	802	47.97%	860	41.75%

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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>General government</b>										
Management services	13.20	13.20	12.20	12.20	12.20	12.20	12.20	12.20	12.20	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	4.00	4.35	4.45	5.45
Building	4.75	4.75	3.75	3.75	3.75	3.75	3.75	3.75	3.00	4.00
Other	3.10	3.10	3.10	3.10	3.10	3.10	2.85	2.10	2.10	2.10
<b>Police</b>										
Officers	26.50	25.50	24.50	23.50	23.50	23.50	22.50	22.50	22.50	22.50
Civilians	1.50	1.50	1.50	1.00	1.00	1.00	1.00	1.00	1.00	2.00
<b>Fire</b>										
Firefighters and officers	32.00	32.00	30.00	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	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00
Other public works	17.50	17.50	17.50	17.50	17.10	17.10	16.50	16.50	16.50	15.50
Engineering	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Other	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	3.00
Fleet	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	4.50
Parks and recreation	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80	13.55
Library	12.45	12.45	11.95	11.95	11.95	11.95	11.95	11.95	11.95	11.95
Wastewater	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
<b>Total</b>	<b>148.30</b>	<b>145.30</b>	<b>139.80</b>	<b>136.30</b>	<b>135.90</b>	<b>135.90</b>	<b>134.05</b>	<b>133.65</b>	<b>133.00</b>	<b>143.75</b>

## Operating Indicators by Function / Program (Unaudited)

## Last Ten Fiscal Years

Function / Program	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Police (1)										
Physical arrests	263	270	259	225	255	291	307	259	335	362
Parking violations	6	2	8	9	18	41	18	39	34	29
Traffic violations	841	824	714	728	982	1,062	714	957	915	979
Fire (2)										
Emergency responses	2,331	974	1,991	2,228	1,883	2,122	2,028	1,827	1,870	1,574
Fires extinguished	31	24	25	36	14	22	20	51	79	44
Inspections	155	108	182	237	209	240	239	290	233	56
Refuse collection (3)										
Refuse collected (tons)	4,421	3,120	2,491	2,338	3,597	2,761	2,184	2,241	2,560	2,524
Recyclables collected (tons)	1,732	2,207	1,102	1,227	1,161	1,282	1,324	1,390	1,418	2,482
Other public works (3)										
Street resurfacing (tons)	2,736	3,317	3,461	1,764	0	2,524	2,991	2,645	2,481	3,315
Library (4)										
Volumes in collection	64,521	66,390	66,922	64,135	62,048	60,811	59,816	58,203	59,217	60,180
Total volumes borrowed	167,759	146,204	185,361	199,695	207,338	199,739	189,719	197,967	209,768	216,065
Wastewater (5)										
Sewer connections	5,029	5,004	4,943	4,910	4,816	4,782	4,816	4,805	4,803	4,876

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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Police (1)										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	29	29	27	27	25	25	25	24	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	4	3	3	3
Other public works (3)										
Street (miles)	54.9	56.7	54.6	55.3	55.1	55.1	55.1	55.1	55.0	54.6
Streetlights	577	577	577	580	575	575	574	574	574	574
Traffic signals	4	4	4	4	4	4	4	4	4	4
Park and recreation (4)										
Acreage	63	63	63	63	63	63	63	48	48	48
Playgrounds	4	4	4	4	4	3	3	3	3	3
Baseball / softball diamonds	6	6	6	6	6	4	4	6	6	6
Soccer / football fields	6	6	6	6	6	6	6	6	6	6
Community centers	2	2	2	2	2	2	2	1	1	1
Wastewater (5)										
Sanitary sewers (miles)	65	65	65	65	65	65	65	64	64	64
Storm sewers (miles)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34(*)	34(*)	32(*)
Schools (6)										
Schools	4	4	4	4	4	4	4	4	4	4
School buses	22	22	22	21	21	22	24	21	21	26

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

Source: (1) City of Poquoson Police Department

(2) City of Poquoson Fire Department

(3) City of Poquoson Public Works Department

(4) City of Poquoson Parks and Recreation Department

(5) City of Poquoson Utilities Department

(6) Poquoson City Public Schools

**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, 2018, 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 8, 2018. That report recognizes that the County implemented a new accounting standard effective July 1, 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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cherry Bekaert LLP*

Virginia Beach, Virginia

November 8, 2018

**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, 2018. 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, 2018.

## **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 8, 2018

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

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

#### ***Year Ended June 30, 2018***

	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	201717N109941 & 201818N109941	10.553	\$ 30,409
National School Lunch Program	201717N109941 & 201818N109941	10.555	<u>155,445</u>
			\$ 185,854
<b>U.S. Department of Defense</b>			
Promoting K-12 Student Achievement at Military-Connected Schools (Reading)	HE12541510024	12.556	188,353
Promoting K-12 Student Achievement at Military-Connected Schools (STEM)	HE12541610044	12.557	179,325
<b>U.S. Department of the Interior</b>			
Direct payments:			
Plum Tree Island Refuge		15.611	2,514
<b>U.S. Department of Justice</b>			
Pass through payments:			
Virginia Department of Criminal Justice:			
Byrne Justice Assistance Grant	17-S1116L016	16.738	1,666
<b>U.S. Department of Transportation</b>			
Pass through payments:			
Department of Motor Vehicles:			
Highway Safety Cluster:			
Prevention Incentive (10/1/16-9/30/18) - Speed	SC-2017-5297-6946 & SC-2018-58252-8252	20.600	4,651
Alcohol Traffic Safety and Drunk Driving			
Prevention Incentive (10/1/16-9/30/18) - Alcohol	M60T-2017-57281-6930 & M60T-2018-58248-8248	20.607	4,132
<b>U.S. Department of Education</b>			
Direct payments:			
Impact Aid		84.041	100,093
Pass through payments:			
Virginia Department of Education:			
Title I: Grants to Local Educational Agencies	S010A180046	84.010	110,640
Title II: Improving Teacher Quality State Grants	S367A160044	84.367	27,885
Title IV: Student Support and Academic Enrichment Program	S424A180048	84.424	8,307
Special Education (IDEA) Cluster:			
Title VI-B: Assistance to States for Education of Handicapped Children:			
Special Education Grants	H027A170107	84.027	389,107
Preschool Handicapped	H173A170112	84.173	<u>3,713</u>
			392,820
Vocational Education-Basic Grants to States	V048A180046	84.048	16,814
<b>U.S. Department of Homeland Security</b>			
Pass through payments:			
Virginia Department of Emergency Management			
Flood Mitigation Assistance	FMA-2014-001	97.029	205,231
Hazard Mitigation Grant	HMGP-4042-0011 & HMGP-4072-0002	97.039	938,372
Local Emergency Management Performance Grant		97.042	7,500
Strategic Highway Safety Plan (SHSP) Response Team Equipment	13200-5964	97.067	27,060
			<u>\$ 2,401,217</u>

See notes to schedule of expenditures of federal awards

## *City of Poquoson, Virginia*

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

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#### **Year Ended June 30, 2018**

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

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

##### **2. Food Distribution**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the food service organization had food commodities totaling \$29,056 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	\$ 1,191,126
Schools	1,210,091
Total federal awards reported in the basic financial statements	<u><u>\$ 2,401,217</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***

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**Year Ended June 30, 2018**

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### **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 Uniform Guidance?

**No**

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:

**\$750,000**

The City of Poquoson was qualified as a low risk auditee?

**No**

### **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**

None

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