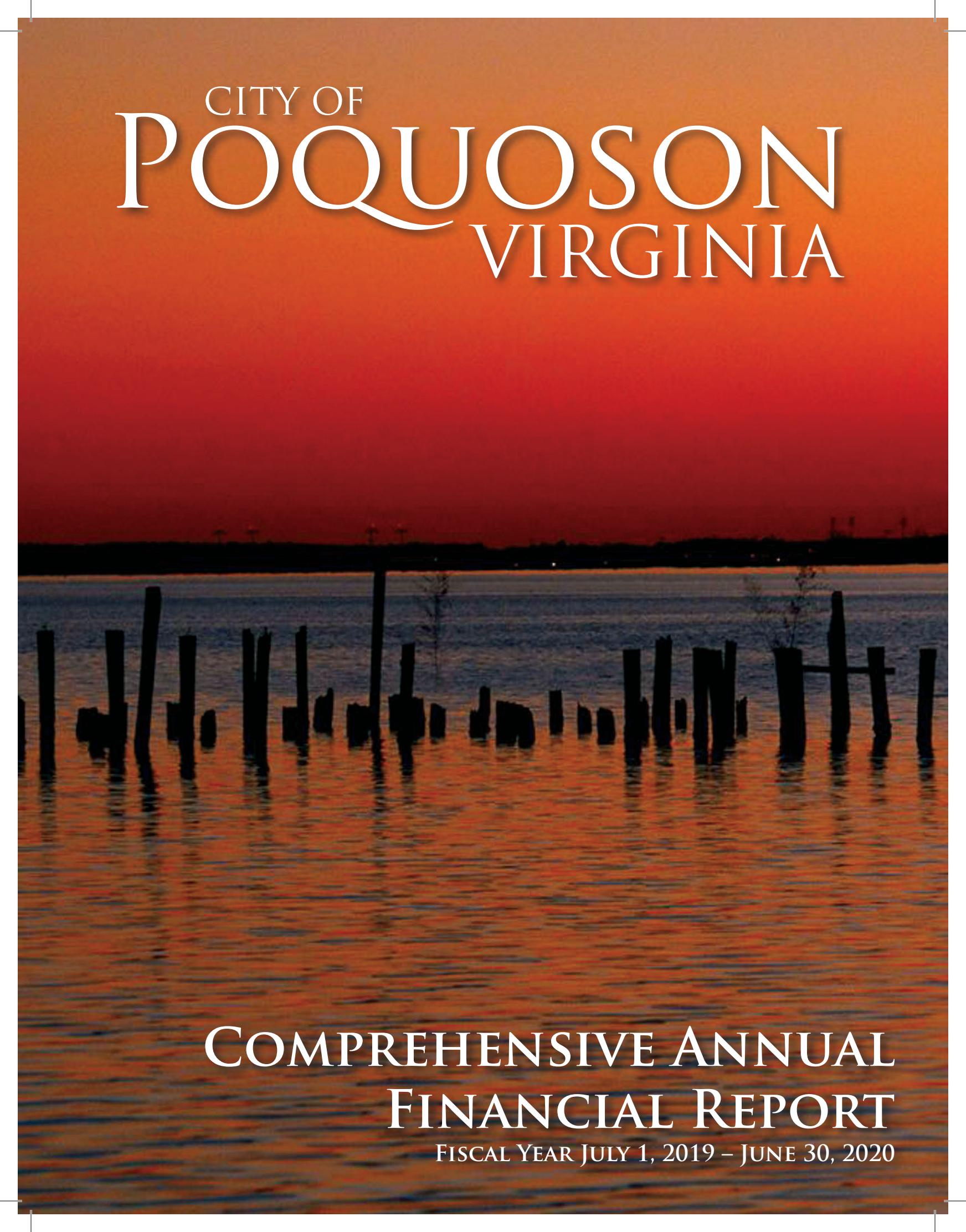


CITY OF
POQUOSON
VIRGINIA



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**
FISCAL YEAR JULY 1, 2019 – JUNE 30, 2020

*Comprehensive Annual
Financial Report*

City of Poquoson, Virginia

Fiscal Year Ended June 30, 2020

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
Joseph Coccimiglio, Commissioner of the Revenue
D. Wayne Moore, City Attorney
Graham P. Wilson, Assistant City Manager

School Board

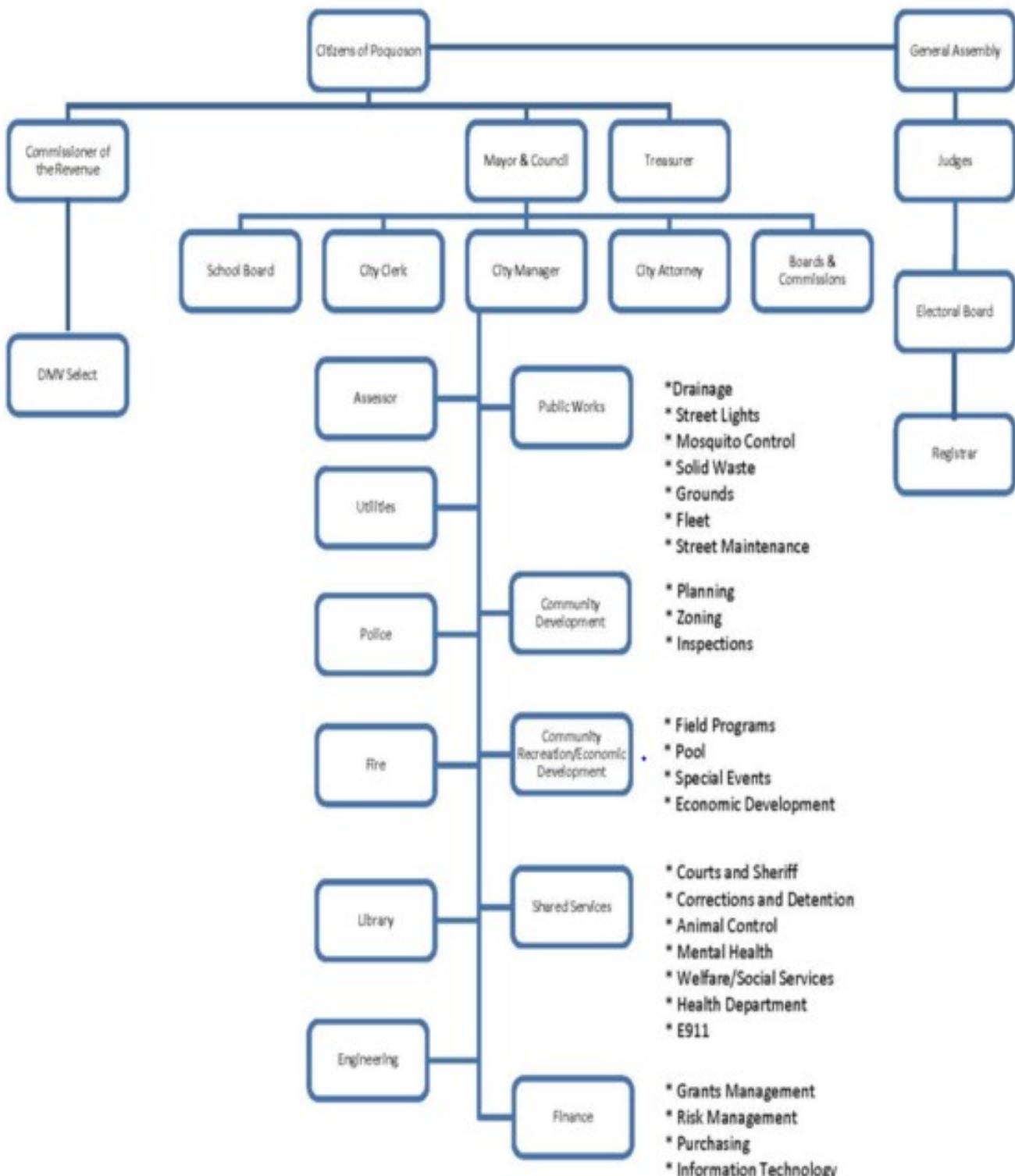
Garry W. Carter, Chairman
Michelle B. Sheeler, Vice Chair
Craig L. Freeman
Christina F. Helsel
Wayne E. Holcomb
Jeremiah P. Jordan
Jonathan T. Ingram

School Officials

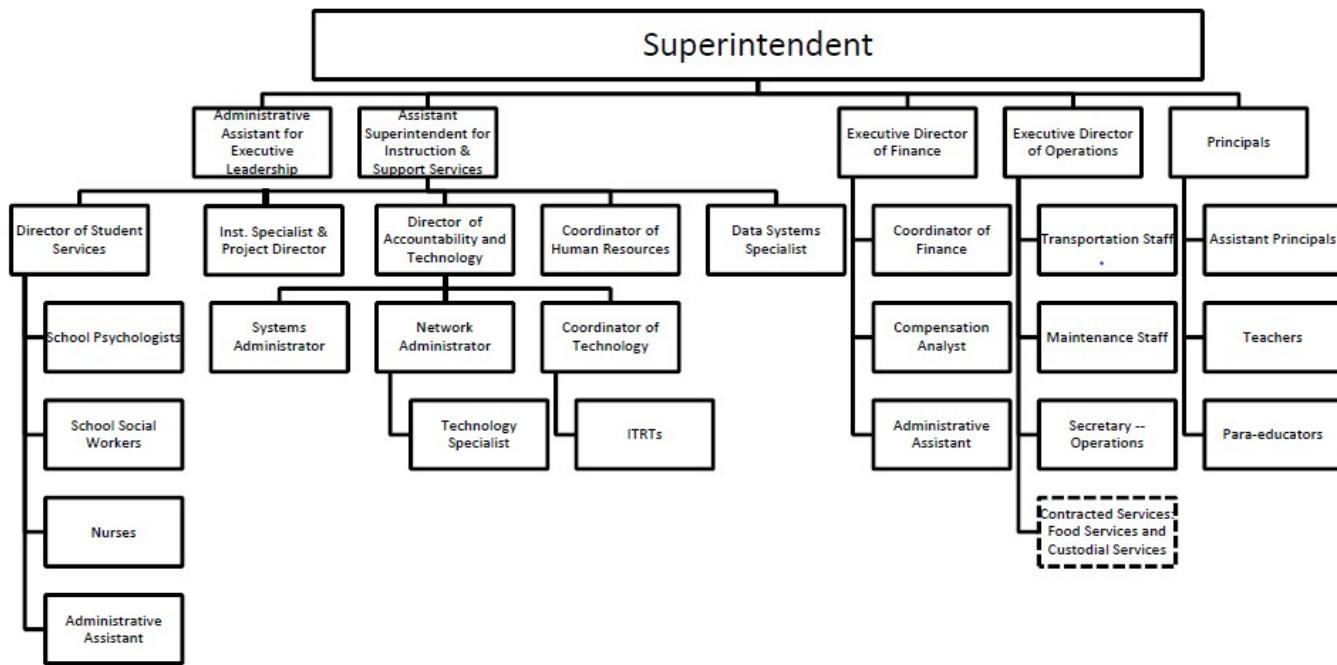
Jennifer Parish, Ed.D., Superintendent
Antonia Fox, Ed.D., Assistant Superintendent for Instruction and Support Services
Brandon Ratliff, Ed.D., Director of Accountability, Student Achievement and Technology
Tara Woodruff, Executive Director of Finance
Steven Pappas, Executive Director of Operations

CITY OF POQUOSON, VIRGINIA

CITY GOVERNMENT ORGANIZATION CHART



Poquoson City Public Schools Organization Chart





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, 2019

Christopher P. Morrell

Executive Director/CEO

City of Poquoson, Virginia
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2020

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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

December 8, 2020

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 (CAFR) of the City of Poquoson, Virginia (City) as of and for the fiscal year ended June 30, 2020. 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 (U.S. GAAP) and audited in accordance with Government Auditing Standards and the Auditor of Public Accounts of the Commonwealth of Virginia by a firm of licensed certified public accountants.

The audited annual financial report was prepared during a national and state declared public health emergency associated with a novel strain of coronavirus (COVID-19). The City was able to continue vital services to citizens and adapt our operations to keep health and safety at the forefront of our operations.

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, Certified Public Accountants, has issued an unmodified opinion on the City's financial statements, as of and for the year ended June 30, 2020. 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 and a state compliance audit. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

U.S. 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 independent auditor.

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 standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the Schedule of Expenditures of Federal Awards in relation to the audited financial statements, but also on the audited government's compliance with federal requirements that could have a direct and material effect on each of its major federal programs and on internal control over compliance in accordance with the U.S. Office of Management and Budget's Uniform Guidance. The independent auditors' report related specifically to Uniform Guidance, including the Schedule of Expenditures of Federal Awards, findings and recommendations, and the auditors' report on internal control over financial reporting and on compliance and other matters, is required to be submitted within the shorter of thirty (30) days after testing completion or nine (9) months after fiscal year end, which would be no later than March 31, 2021 for the City. Said testing and results, when issued, will be included in a separate compliance reporting package.

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. However, the ties remain close with certain municipal functions continuing 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.

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. 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; contracts for trash pick-up and disposal, 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 Public 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 a public hearing on the proposed budget and must adopt a final budget no later than May 31. The appropriated budget is prepared by fund and department. The City Manager may make transfers of appropriations within a fund. Transfers of appropriations between funds and additional appropriations require approval of City Council. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbrances are included as budgetary expenditures and, therefore, do not lapse after year-end. The budget-to-actual comparison for the General Fund starts on page 88 of the report.

Local Economy

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

The City is a suburban community in the Hampton Roads area and residents often work in neighboring cities and typically have the region's highest median income. The City of Poquoson occupies a land area of 14.7 square miles and shoreline area of 87 miles, and according to The Weldon Cooper Center for Public Service, serves an estimated population of 12,395.

The City remains stable in sales, real estate, and personal property taxes. Sales of property are positive even during the public health emergency.

The City has direct access to leading employment sites including NASA's Langley Research Center, Joint Base Langley-Eustis, and Huntington Ingalls Industries, Inc. Local unemployment for the City remains below the state and national averages. According to the Bureau of Labor Statistics, the City's unemployment rate as of July 2020 increased from the prior year by 2.6% to 5.1%. The City's unemployment rate of 5.1% is below the national average of 11.2% and the state average of 8.2% for the same period of time.

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

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

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

Long-term Financial Planning

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

Relevant Financial Policies

In October 2009, the City formally adopted a series of financial policy guidelines and in June 2011 modified these policies to incorporate GASB 54. The policies include debt policies as well as fund balance policies. The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times, therefore, one of the fund balance policies adopted included maintaining a minimum unassigned fund balance of 12% to 15% of the current year budgeted expenditures. The unassigned fund balance at the end of the year was 21.0% of budget expenditures, well above the adopted policies.

The City has built the Fiscal Stability Reserve to \$822,000. In January 27, 2020, City Council approved a transfer from unrestricted fund balance of \$134,627 bringing the reserve shy of the \$1 million policy. The Fiscal Stability Reserve serves as a contingency against unanticipated/emergency expenditures (i.e. hurricane or pandemic related). The reserve is accounted for separately in Fund Balance for the General Fund which can be found in Note 11 on page 52.

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

Major Initiatives

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

The Poquoson Police Department held its first National Night Out in 2019 which allowed for the department to continue building relationships with the community. Due to the pandemic, COVID-19, the department was unable to hold the event in August 2020. The event was overwhelming successful and will continue once the pandemic has subsided.

In fiscal years 2019 and 2020, several development projects were reported as pending approval with construction commencing sometime in 2021 and 2022. As of the end of August 2020, a total of four new homes are now completed in the White House Cove home development and one new home in Lyons Landing subdivision. Construction has not yet commenced on the CVS Pharmacy on Wythe Creek Road. The pharmacy will be located where formally Truist Bank resided. Truist Bank has now located within the Wythe Creek Shopping Center.

Construction has not yet commenced on the two additional mixed-use buildings in Phase II of the Fountains of Poquoson. The developer obtained approval from City Council at its April 8, 2019 meeting to extend the time to complete Phase II until September 11, 2021 or the Conditional Use Permit shall become null and void. Site plans for Phases II and III of the development have been submitted for review by staff. There has been much conversation with the developer and plans for the ultimate buildout may change. As for now, the entire Fountains of Poquoson development, located in the City's Village Commercial district, will yield five mixed-use structures and one stand-alone commercial building (in Phase III) and a mixture of two-thirds townhomes and one-third commercial offices in Phase IV.

The City has issued erosion and sediment plans for Quarter Creek Subdivision providing 33 homes and Wythe Creek Estates which will provide 19 homes and a new sewer pump station, both in the central precinct.

The City is also processing requests related to the Legacy of Poquoson Phase I development which consists of 146 townhome and single-family residences. Plans for Phases II and III of the Legacy of Poquoson project, consisting of 172 single family homes, have been received and are currently under review. As part of the Legacy project, City Council approved a proffer amendment to delay construction of the clubhouse, four conditional use permit amendments to modify buffer requirements and a rezoning amendment to provide a wider range of architectural styles for townhomes.

The City participates in the National Flood Insurance Program and is in the process of completing its outstanding Community Rating Service (CRS) program review. CRS is an “extra credit” program for NFIP members, granting flood insurance discounts to localities who adopt higher standards to address stormwater flooding. Recent efforts by City staff to map undeveloped open space have allowed Poquoson to remain at a CRS Class 8, granting a 10% discount to citizens which will save residents a total of \$294,000 in annual insurance payments.

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

For the City of Poquoson, the project will provide sidewalks on either side of Wythe Creek Road and will improve the Cary's Chapel and Wythe Creek Road intersection. The existing causeway will be retained and will feature a walking and biking path. The elevated bridge will provide an additional evacuation route out of the City during a flood event. The design is underway and is slated to be completed next spring, with advertisement for bids occurring in the later part of 2021. Utility relocations required to accommodate the project are underway.

Poquoson is working on several other road projects. The Poquoson Avenue sidewalk project will be advertised late fall 2020 and the Wythe Creek Road Traffic Signal Upgrade projects will begin in November 2020. The consultant procurement process for the design of a South Lawson Park walking trail is underway. The City recently competed for and received approval for \$3.7 million dollars in VDOT Smart Scale Funding. This funding will be used to provide access control, shoulder improvements, and a multi-use trail on Victory Boulevard.

The Sewer Fund upgraded the supervisory control and data acquisition (SCADA) system which allows for real time monitoring of all the pump stations in the City. In addition, the fund updated two pump stations with emergency generators to combat against future power outages.

During the public health emergency associated with COVID-19, the library focused its efforts on serving the community virtually. In late April, the library began virtual programming with story times, tech talks, and crafting videos uploaded to its YouTube channel and Facebook page. The 25 virtual programs posted April through June received almost 1,400 views. Since the community did not have access to the library's physical collection with the library being closed to the public, digital content usage increased an average of 54% from March through June over the same time period the year before. During the pandemic, staff took extra care to sanitize all of the library's print materials, more than 64,000 items. Once all materials were sanitized, the library began offering curbside service in May, serving over 1,300 people this way until the building would reopen in July.

Awards and Acknowledgements

The City's Fire Department confirmed its Class 2 rating by the Insurance Services Office (ISO) which assesses the readiness of the fire department by analyzing data across three categories of a department's capabilities of firefighting.

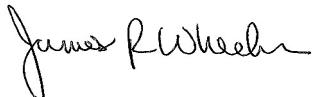
Once again, Poquoson Public School Division was fully accredited by the Virginia Board of Education, meaning the school division and each school met standards of learning benchmarks in reading, writing, math, science, and attendance, and the high school met benchmarks for graduation and completion rates. Additionally, Poquoson Middle School received the 2020 Board of Education Continuous Improvement Award and Poquoson High School is a Virginia Distinguished Purple Star School for supporting military connected students.

The Government Finance Officers Association (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* (Certificate) to the City for its CAFR for the fiscal year ended June 30, 2019. This was the 32nd consecutive year that the government has received this prestigious award. In order to be awarded a Certificate, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. A Certificate is valid for a period of one year only. We believe our current report continues to conform to the Certificate 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 2020 for the 28th consecutive year. In order to qualify for the award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department, the Poquoson Public Schools, 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

Financial Section

Report of Independent Auditor

To 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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

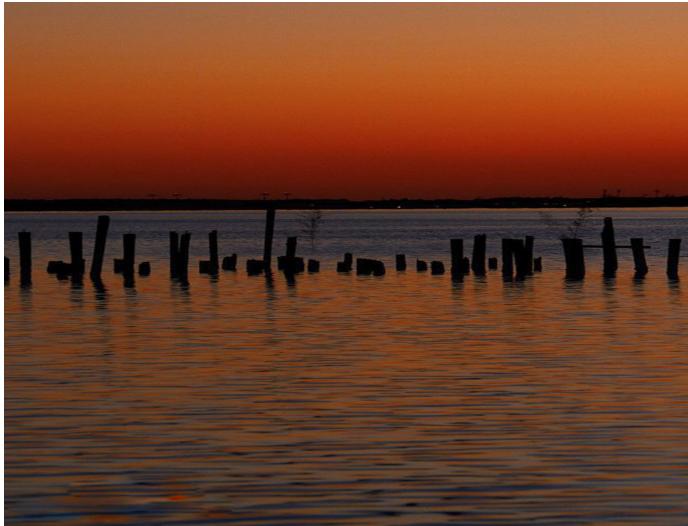
The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020, 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.



Virginia Beach, Virginia
December 8, 2020



City of Poquoson, Virginia

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

Management's Discussion and Analysis

Financial Highlights

Overview of the Financial Statements

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Management's Discussion and Analysis

Fiscal Year July 1, 2019 - June 30, 2020

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 (FY) ended June 30, 2020. 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 ix through xvi of this report.

Financial Highlights

- For FY 2020, the City maintained a strong financial position for both its governmental and business-type funds while faced with a public health emergency associated with a novel strain of coronavirus (COVID-19). The City's resilient financial management and traditional budgeting practices allowed the City to continue its service and commitment to the citizens before and during COVID-19.
- The assets and deferred outflows of the Primary Government exceeded its liabilities and deferred inflows of resources as of June 30, 2020 by \$32.5 million (net position). Of this amount, \$6.2 million (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The Primary Government's total net position decreased by \$0.3 million. The unrestricted net position increased by \$0.8 million and the revenue stabilization reserve increased by \$0.13 million. The total of the revenue stabilization reserve is \$0.82 million.
- As of June 30, 2020, unassigned fund balance for the General Fund was \$6.3 million or 24.3% of total General Fund expenditures. The unassigned fund balance exceeds the fund balance policies by 9.3%.
- The Primary Government's total bonds and capital leases outstanding at June 30, 2020 was \$40.7 million for all funds, which is a decrease of \$2.8 million from the prior year.
- The Primary Government'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 \$1.1 million. For the year ended June 30, 2020, \$0.02 million of fund balance was used towards 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 (the Primary Government), but also a legally separate school system, Poquoson City Public Schools (PCPS), and a legally separate Poquoson Economic Development Authority (EDA) for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the Primary Government itself. The government-wide financial statements can be found on Exhibits A and B of this report.

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

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

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

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, 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 L.

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

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

Fiduciary Funds. The City is the trustee, or fiduciary, for certain donated funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes. The fiduciary funds include the Other Postemployment Benefits Trust Fund and 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 30-87 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 106-113 of this report.

Government-Wide Financial Analysis

Summary of Statement of Net Position June 30, 2020

	Governmental Activities		Business-type Activities		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Current and other assets	\$ 30,572,207	\$ 30,442,419	\$ 3,580,002	\$ 3,418,813	\$ 34,152,209	\$ 33,861,232
Capital assets	38,150,653	40,873,832	10,666,017	10,940,106	48,816,670	51,813,938
Total assets	68,722,860	71,316,251	14,246,019	14,358,919	82,968,879	85,675,170
Deferred Outflows of Resources	3,393,120	2,546,501	132,390	134,733	3,525,510	2,681,234
Total assets and deferred outflows	72,115,980	73,862,752	14,378,409	14,493,652	86,494,389	88,356,404
Current and other liabilities	5,137,149	4,599,449	745,262	689,442	5,882,411	5,288,891
Long-term liabilities	42,585,027	43,809,338	4,896,453	5,427,964	47,481,480	49,237,302
Total liabilities	47,722,176	48,408,787	5,641,715	6,117,406	53,363,891	54,526,193
Deferred Inflows of Resources	618,368	997,543	23,671	39,907	642,039	1,037,450
Total liabilities and deferred inflows	48,340,544	49,406,330	5,665,386	6,157,313	54,005,930	55,563,643
Net investment in capital assets	18,320,781	2,081,923	5,454,081	5,201,957	23,774,862	7,283,880
Restricted	2,489,143	20,119,972	-	-	2,489,143	20,119,972
Unrestricted	2,965,512	2,254,527	3,258,942	3,134,382	6,224,454	5,388,909
Total net position	\$ 23,775,436	\$ 24,456,422	\$ 8,713,023	\$ 8,336,339	\$ 32,488,459	\$ 32,792,761

Net position serves as a useful indicator of a government's financial position. The City's combined net position totals \$32.5 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 \$23.8 million. The City uses these capital assets to provide services to citizens and, thus, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities. Total net assets of \$6.9 million are unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

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

- **Governmental Activities.** The government's net position decreased by \$0.30 million during FY 2020. The governmental activities decreased by \$.68 million and the business-type activities increased by \$0.38 million. The increase of the net position of the business-type activities is due to less than expected expenses in the Sewer Fund.

Summary of Changes in Net Position
Year Ended June 30, 2020

	Governmental Activities		Business-type Activities		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Revenues:						
Program revenues:						
Charges for services	\$ 978,947	\$ 1,159,134	\$ 3,043,231	\$ 2,880,048	\$ 4,022,178	\$ 4,039,182
Operating grants and contributions	2,284,340	1,707,679	-	-	2,284,340	1,707,679
Capital grants and contributions	928,323	1,558,876	-	151,952	928,323	1,710,828
General revenues:						
Real estate and personal property						
taxes	21,625,603	21,138,678	-	-	21,625,603	21,138,678
Other local taxes	2,903,939	2,868,532	-	-	2,903,939	2,868,532
Personal property tax relief	1,923,431	1,923,431	-	-	1,923,431	1,923,431
Reimbursements from other						
agencies	123,570	152,346	-	-	123,570	152,346
Miscellaneous	405,494	607,862	-	4,575	405,494	612,437
Unrestricted investment earnings	322,261	362,288	32,776	47,686	355,037	409,974
Total revenues	31,495,908	31,478,826	3,076,007	3,084,261	34,571,915	34,563,087
Expenses:						
General government	4,959,427	3,305,464	-	-	4,959,427	3,305,464
Public safety and judicial	7,740,807	7,119,909	-	-	7,740,807	7,119,909
Public works	1,821,762	2,081,748	-	-	1,821,762	2,081,748
Health and welfare	1,165,110	1,190,360	-	-	1,165,110	1,190,360
Education	12,899,682	10,534,422	-	-	12,899,682	10,534,422
Parks, recreation, cultural	1,778,533	1,762,160	-	-	1,778,533	1,762,160
Economic Development Authority	17,053	16,417	-	-	17,053	16,417
Community development	765,613	1,095,080	-	-	765,613	1,095,080
Interest and fees on long-term debt	1,228,907	1,922,059	-	-	1,228,907	1,922,059
Sewer	-	-	1,457,329	1,462,941	1,457,329	1,462,941
Solid waste	-	-	1,041,994	816,100	1,041,994	816,100
Total expenses	32,376,894	29,027,619	2,499,323	2,279,041	34,876,217	31,306,660
Change in net assets before						
transfers	(880,986)	2,451,207	576,684	805,220	(304,302)	3,256,427
Transfers	200,000	198,147	(200,000)	(198,147)	-	-
(Decrease) increase in net position	(680,986)	2,649,354	376,684	607,073	(304,302)	3,256,427
Net position, beginning of year	24,456,422	21,807,068	8,336,339	7,729,266	32,792,761	29,536,334
Net position, end of year	\$ 23,775,436	\$ 24,456,422	\$ 8,713,023	\$ 8,336,339	\$ 32,488,459	\$ 32,792,761

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

	FY 2020	FY 2019
Real estate tax revenue	\$ 18,405,321	\$ 17,910,303
Public service corporation taxes	222,248	262,580
Personal property taxes	2,939,790	2,843,129
Penalties and interest	58,244	122,666
Total	\$ 21,625,603	\$ 21,138,678

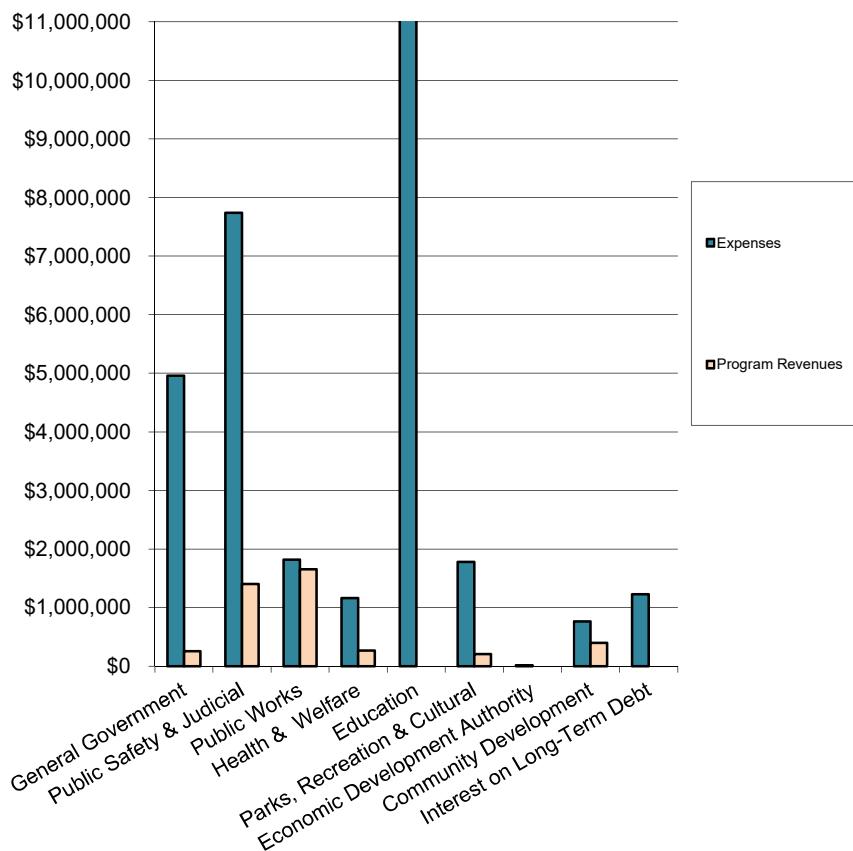
Real estate revenue was higher in FY 2020 as compared to FY 2019 due a modest increase in new homes and improvements that resulted in reassessments of property beginning of FY 2020. The City's real estate property tax assessments were \$1,665,332,400 and \$1,597,471,000 for FY 2020 and FY 2019, respectively. The City's real estate tax rate was \$1.14 per \$100 of assessed value in FY 2020 and FY 2019.

The City's personal property tax assessments were \$133,764,475 and \$132,391,560 for FY 2020 and FY 2019, respectively. In FY 2020 and FY 2019, 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 2020 and FY 2019. In FY 2020 and FY 2019, the City's tax rate for mobile homes was \$1.14 and \$1.07, respectively, 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 2020 and FY 2019.

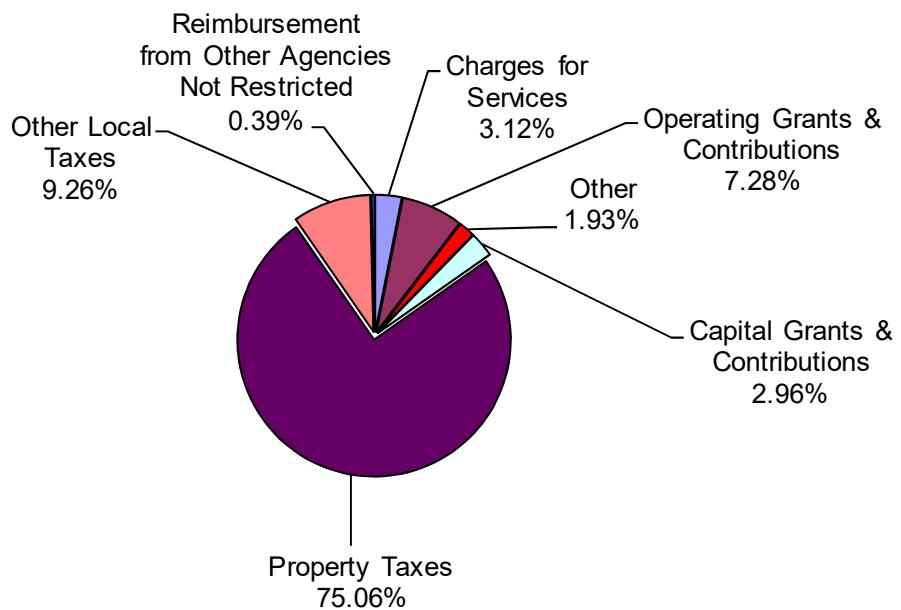
Other local taxes were \$2.9 million for both FY 2020 and FY 2019 and consisted of meals taxes, consumers' utilities taxes, franchise license taxes, motor vehicle license taxes, and a variety of other taxes.

For FY 2020, expenses for governmental activities totaled \$32.4 million, including an expense of \$12.9 million to the component unit, Poquoson City Public Schools (PCPS). For FY 2019, expenses for governmental activities totaled \$29.0 million, including a net payment of \$10.5 million to the component unit, PCPS.

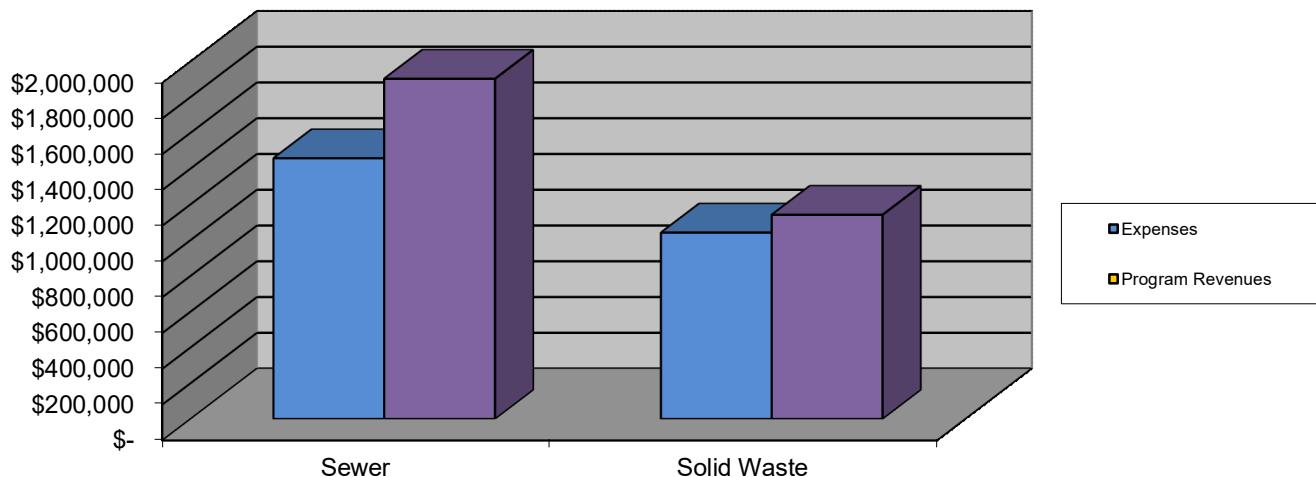
Expenses and Program Revenues - Governmental Activities



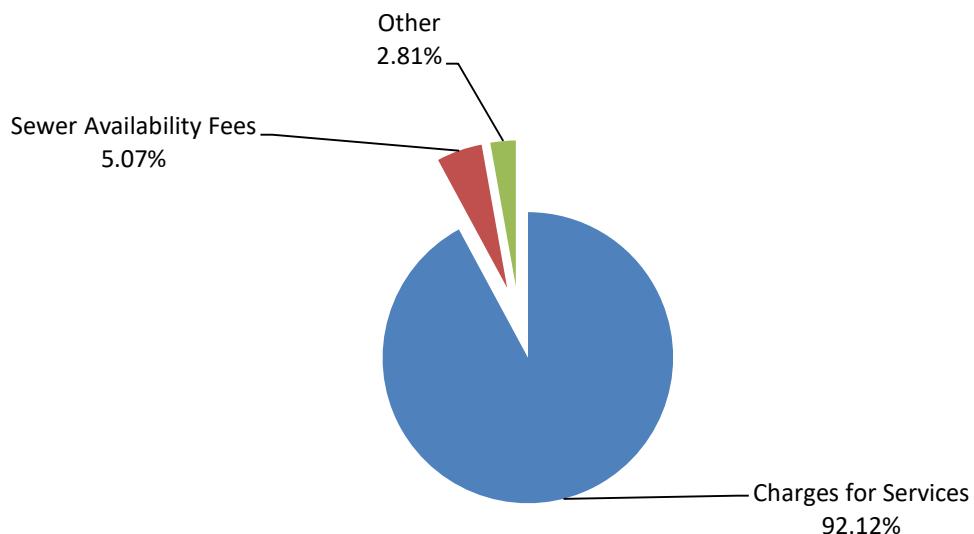
Revenues by Sources - Governmental Activities



Expense and Program Revenues - Business-type Activities



Revenues by Source - Business-Type Activities

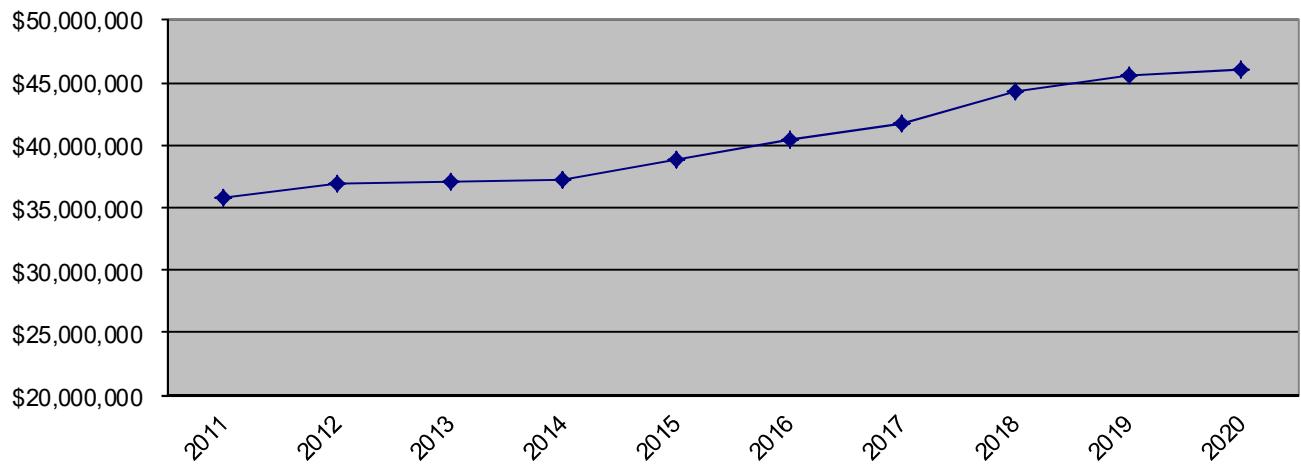


Business-Type Activities. Business-type activities increased the City's net position before transfers by \$0.58 million and increased the net position by \$0.38 million after transfers. This increase in net position can be attributable to increase revenue related to change in trash service and funds received for a mitigation grant through the Commonwealth of Virginia.

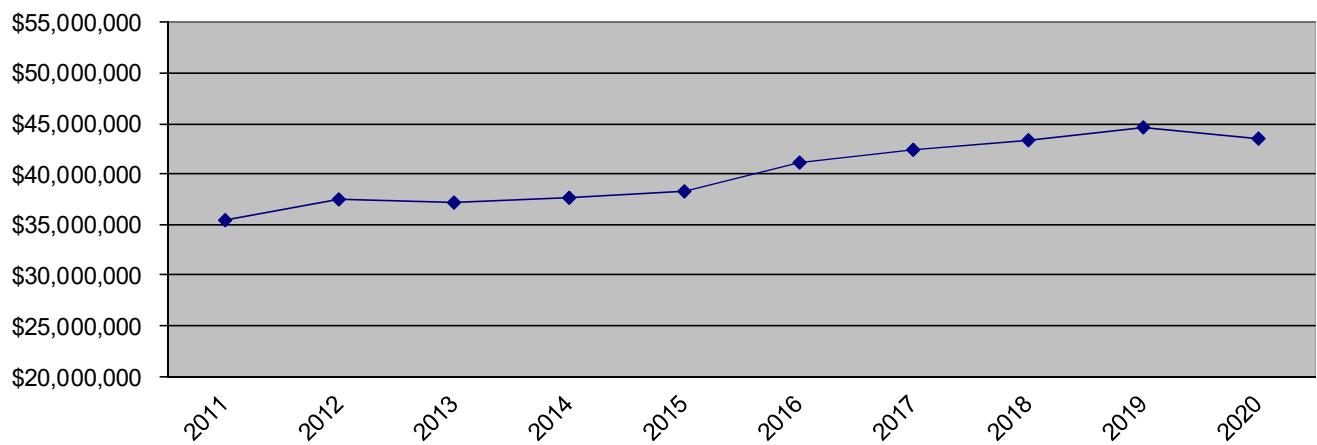
Financial Analysis of the Government's Funds

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 Schools' General and Special Revenue Funds.

General Governmental Revenues



General Governmental Expenditures



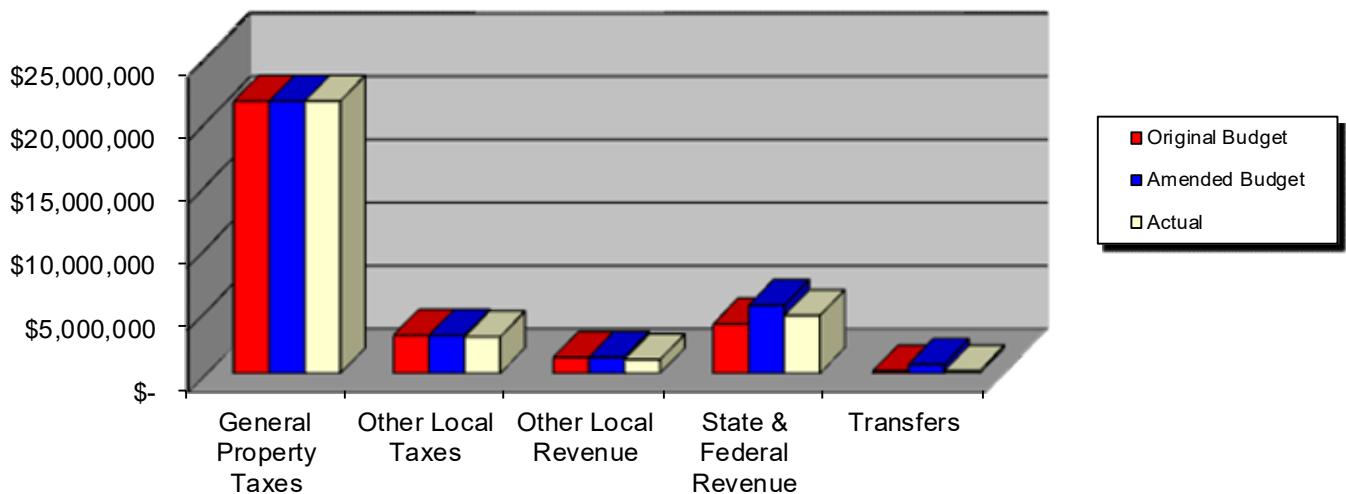
General Fund Budgetary Highlights

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 L. 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 L, the non-GAAP budgetary expenditures are reconciled to the GAAP statements. The budget differences of \$2.04 million between the original budget and the final amended budget can be briefly summarized as follows:

- \$0.20 million additional transfer to the PCPS for the prior year unspent transfer to provide additional funding towards the Poquoson Middle School Renovation.
- \$0.11 million re-appropriation of restricted revenue received for the departments of Police, Fire, Parks, Recreational and Tourism, and Library.
- \$0.22 million appropriation for various grants for public safety.
- \$0.01 million appropriation for donations received for various departments.
- \$0.42 million appropriation of fund balance to increase the fiscal stability revenue provide additional funding for equipment required for early registration, and begin modernization of street lights to LED through the assistance of Virginia Dominion Energy.
- \$1.08 million appropriation for the CARES Funding to reimburse for expenditures relating to COVID-19.

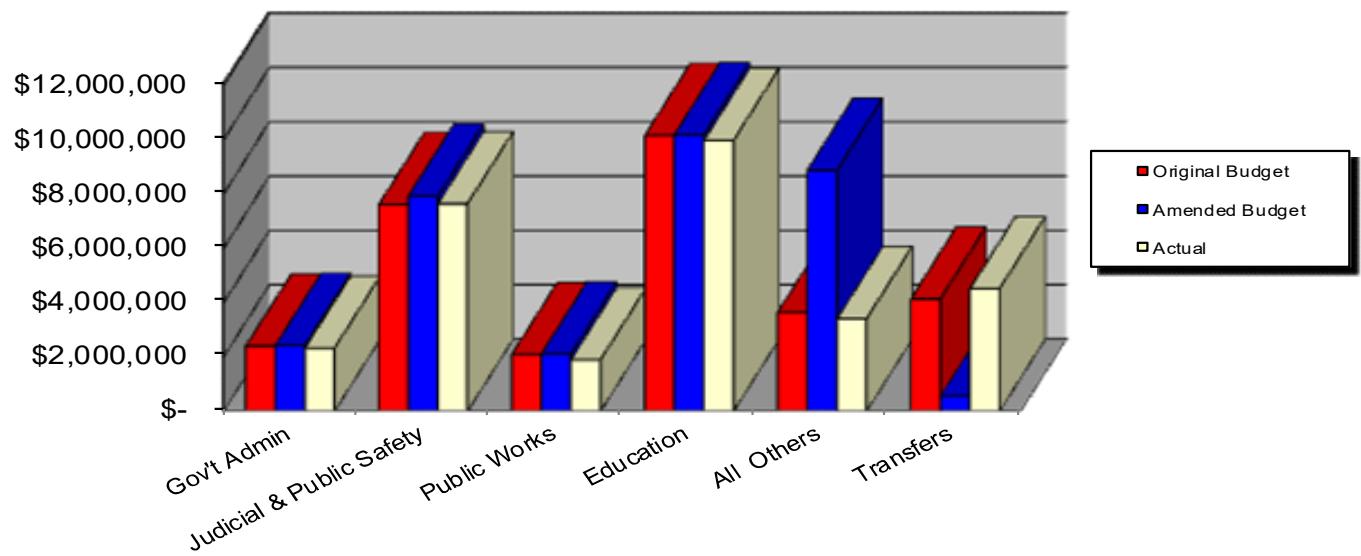
The charts on the following page show the original approved budget, the final amended budget, and actual amounts for both revenues and expenditures in the General Fund.

General Fund Revenue Comparison of Budget to Actual



The City's actual General Fund revenues of \$30.4 million exceeded the original budget by \$0.4 million and was less than the amended budget by \$1.6 million. It should be noted that the City budgeted \$0.6 million for use of fund balance, which is not included in the actual revenue for General Fund. In FY 2020, the City received an appropriation related to the Coronavirus Aid, Relief, and Economic Security Act (CARES) with the majority of the funds placed into unearned revenue for FY 2021.

General Fund Expenditures Comparison of Budget to Actual



The City's actual General Fund expenditures and other financing uses of \$29.7 million were less than the amended budget by \$2.3 million and slightly lower than the original budget by \$0.3 million. The decrease in expenditures from the amended budget is a result of reduction in operating expenditures during the pandemic and the appropriation related to CARES, which the majority of the funds will be reimbursed in FY 2021.

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

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 2020, capital projects of \$2.5 million included a purchase of a special operation vehicle for the Fire Department, an ambulance and replacement of two automated external defibrillators, security upgrades to include badge access for City Hall, replacement equipment of an excavator, dump truck, and a debris truck for Public Works. It also included costs for highway and drainage improvements along with the cost of the Poquoson Middle School renovations.

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, 2020, amounted to \$48.8 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 PCPS component unit owns their school buildings; however, the City has issued the debt and/or provided the resources to build and renovate school buildings. Thus, State Code allows PCPS 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 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Land	\$ 3,014,050	\$ 3,004,720	\$ 217,666	\$ 217,666	\$ 3,231,716	\$ 3,222,386
Land improvements	2,071,908	1,976,179	-	-	2,071,908	1,976,179
Construction in progress	1,219,939	401,911	-	-	1,219,939	401,911
Buildings	4,297,007	4,687,719	104,134	111,847	4,401,141	4,799,566
Building improvements	326,328	336,904	-	-	326,328	336,904
Infrastructure	7,020,055	7,194,218	-	-	7,020,055	7,194,218
Machinery and equipment	3,283,110	2,427,574	1,197,780	895,367	4,480,890	3,322,941
Sewer system	-	-	9,146,437	9,715,226	9,146,437	9,715,226
Allocated school buildings	16,918,256	20,844,607	-	-	16,918,256	20,844,607
	\$ 38,150,653	\$ 40,873,832	\$ 10,666,017	\$ 10,940,106	\$ 48,816,670	\$ 51,813,938

Debt Administration. Total outstanding general obligation debt at June 30, 2020 was \$40.5 million of which \$35.7 million is considered to be net direct tax supported debt. Included in the total debt are \$35.5 million in bonds and \$0.2 million in leases. The remaining \$4.9 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 increase of \$.02 million to offset future debt service related to the bond issuance in July 2019 of \$18.07 million.

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, 2020 debt limitation for the City is \$168.7 million, which is significantly in excess of the City's \$40.6 million outstanding net direct bonded debt.

Net Direct Tax Supported Debt General Governmental Activities

	FY 2020	FY 2019
Net direct bonded debt	\$35,532,585	\$37,882,586
Ratio of outstanding direct debt to assessed value	2.34%	2.61%

More detailed information on the City's long-term debt activity and capital asset activity can be found in Notes 7, 8, 9, and 10 of this report.

Economic Factors and Next Year's Budgets and Rates

The FY 2021 budget was prepared with economic trends and factors within the City taken into account:

- The FY 2021 adopted budget was prepared during a national and state declared public health emergency associated with COVID-19.
- The FY 2021 adopted budget maintained the real estate tax rate of \$1.14 per \$100 of assessed value.
- The FY 2021 adopted budget did, to the greatest extent possible, continue City services/programs at their current levels.
- The FY 2021 adopted budget accounted for a slight increase for real estate tax revenue based on improvements on existing homes at the beginning of FY 2021.
- The FY 2021 adopted budget maintained rates for sewer and solid waste fees.
- The FY 2021 adopted budget continued the funding for the other postemployment benefits for eligible employees who retire from the City and a modest contribution to the trust held by VML/VACo Pooled OPEB Trust.
- In FY 2021, expenditure increases from FY 2020 adopted budget due to increase in health insurance and converting a part-time position to full-time within the Police Department.

- In FY 2021, adopted budget includes a transfer from General Fund of \$108,900 to support one time purchases in FY 2021, which is possible due to the delay by the School Division in utilizing the funds received from Phase 1 borrowing for the renovation of the Poquoson Middle School.
- In FY 2021, adopted budget maintains level local funding to PCPS as requested by the School Board.
- In FY 2021, the City refinanced in July \$2.6 million in debt to lower interest rates which will assist with mitigating potential impacts due to COVID-19 and provide cash flow to fund the Fiscal Stability Reserve to the fullest intent of the \$1 million policy adopted by City Council.

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, 2020**

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Units
Assets				
Cash and investments	\$ 9,145,683	\$ 3,150,467	\$ 12,296,150	\$ 2,974,208
Restricted cash and investments	17,499,292	-	17,499,292	292,194
Property taxes receivable, net	554,302	-	554,302	-
Other receivables, net	60,239	425,172	485,411	2,205
Due from component units	203,156	-	203,156	-
Notes receivable, component unit	1,647,904	-	1,647,904	-
Due from other governmental units	1,451,261	-	1,451,261	347,997
Inventory	10,370	3,840	14,210	22,828
Notes receivable	-	523	523	-
Capital assets				
Non-depreciable	4,233,989	217,666	4,451,655	2,781,821
Depreciable, net	33,916,664	10,448,351	44,365,015	8,110,511
Total assets	68,722,860	14,246,019	82,968,879	14,531,764
Deferred Outflows of Resources				
Deferred outflows related to pension	1,628,187	62,701	1,690,888	3,839,140
Deferred outflows related to OPEB	729,387	27,767	757,154	578,129
Deferred refunding costs	1,035,546	41,922	1,077,468	-
Total deferred outflows of resources	3,393,120	132,390	3,525,510	4,417,269
Liabilities				
Accounts payable and accrued liabilities	1,142,251	90,358	1,232,609	2,584,733
Accrued interest	524,487	62,582	587,069	14,087
Unearned revenues	657,521	-	657,521	-
Due to Primary Government	-	-	-	1,851,060
Noncurrent liabilities				
Due within one year	2,812,890	592,322	3,405,212	84,268
Due in more than one year				
Long-term liabilities	37,012,622	4,683,258	41,695,880	317,008
Net pension liability	2,870,117	109,965	2,980,082	18,904,801
Net OPEB liability	2,702,288	103,230	2,805,518	3,134,555
Total liabilities	47,722,176	5,641,715	53,363,891	26,890,512
Deferred Inflows of Resources				
Deferred inflows related to pension	434,395	16,642	451,037	2,121,407
Deferred inflows related to OPEB	183,973	7,029	191,002	198,869
Total deferred inflows of resources	618,368	23,671	642,039	2,320,276
Net Position (Deficit)				
Net investment in capital assets	18,133,197	5,454,081	23,587,278	9,244,428
Restricted for:				
Capital projects	1,422,500	-	1,422,500	-
Education	-	-	-	292,194
Public safety	119,079	-	119,079	-
Parks, recreation, and cultural	17,937	-	17,937	-
Revenue stabilization	822,000	-	822,000	-
Community development	107,627	-	107,627	-
Unrestricted (deficit)	3,153,096	3,258,942	6,412,038	(19,798,377)
Total net position (deficit)	\$ 23,775,436	\$ 8,713,023	\$ 32,488,459	\$ (10,261,755)

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

Statement of Activities**Year Ended June 30, 2020**

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			
					Governmental Activities	Business-type Activities	Total	Component Units
Primary Government								
Government activities								
General government and administration	\$ 4,959,427	\$ 258,432	\$ -	\$ -	\$ (4,700,995)	\$ -	\$ (4,700,995)	\$ -
Public safety and judicial	7,740,807	427,125	976,946	-	(6,336,736)	-	(6,336,736)	-
Public works	1,821,762	-	880,000	774,320	(167,442)	-	(167,442)	-
Health and welfare	1,165,110	-	265,764	-	(899,346)	-	(899,346)	-
Education	12,899,682	-	-	-	(12,899,682)	-	(12,899,682)	-
Parks, recreation, and cultural	1,778,533	52,895	156,747	-	(1,568,891)	-	(1,568,891)	-
Economic Development Authority	17,053	-	-	-	(17,053)	-	(17,053)	-
Community development	765,613	240,495	4,883	154,003	(366,232)	-	(366,232)	-
Interest and fees on long-term debt	1,228,907	-	-	-	(1,228,907)	-	(1,228,907)	-
Total governmental activities	32,376,894	978,947	2,284,340	928,323	(28,185,284)	-	(28,185,284)	-
Business-type activities								
Sewer	1,457,329	1,901,917	-	-	-	444,588	444,588	-
Solid waste	1,041,994	1,141,314	-	-	-	99,320	99,320	-
Total business-type activities	2,499,323	3,043,231	-	-	-	543,908	543,908	-
Total Primary Government	\$ 34,876,217	\$ 4,022,178	\$ 2,284,340	\$ 928,323	(28,185,284)	543,908	(27,641,376)	-
Component Units								
Poquoson Public Schools	\$ 21,425,410	\$ 790,728	\$ 11,254,852	\$ -	-	-	-	(9,379,830)
Economic Development Authority	65,125	49,364	-	-	-	-	-	(15,761)
Total component units	\$ 21,490,535	\$ 840,092	\$ 11,254,852	\$ -	-	-	-	(9,395,591)
General Revenues								
Real estate and personal property taxes	\$ 21,625,603	\$ -	\$ 21,625,603	\$ -				
Other local taxes	2,903,939	-	2,903,939	-				2,438,009
Personal property tax relief from Commonwealth of Virginia	1,923,431	-	1,923,431	-				-
Payments from the City of Poquoson	-	-	-	-				10,094,109
Reimbursements from other agencies not restricted to specific programs	123,570	-	123,570	-				-
Miscellaneous	405,494	-	405,494	-				-
Unrestricted investment earnings	322,261	32,776	355,037	-				-
Transfers								
Total general revenues, transfers, and miscellaneous	\$ 27,504,298	(167,224)	27,337,074	12,532,118				
Change in net position								
Net position (deficit), beginning of year								
Net position (deficit), end of year	\$ 24,456,422	8,336,339	32,792,761	(13,398,282)				
	\$ 23,775,436	\$ 8,713,023	\$ 32,488,459	\$ (10,261,755)				

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

Balance Sheet - Governmental Funds**June 30, 2020**

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and investments	\$ 6,175,611	\$ 1,086,157	\$ 1,799,424	\$ 9,061,192
Restricted cash and investments	1,066,643	-	16,432,649	17,499,292
Property taxes receivable, net	554,302	-	-	554,302
Other receivables	60,239	-	-	60,239
Due from component units	203,156	-	-	203,156
Notes receivable, component unit	1,647,904	-	-	1,647,904
Due from other governmental units	1,444,586	-	6,675	1,451,261
Total assets	\$ 11,152,441	\$ 1,086,157	\$ 18,238,748	\$30,477,346
Liabilities				
Accounts payable and accrued liabilities	\$ 916,123	\$ -	\$ 204,585	\$ 1,120,708
Unearned revenues	657,521	-	-	657,521
Total liabilities	1,573,644	-	204,585	1,778,229
Deferred Inflows of Resources				
Unavailable revenue - property taxes	377,517	-	-	377,517
Total deferred inflows of resources	377,517	-	-	377,517
Fund Balances				
Fund balances				
Nonspendable	1,647,904	-	-	1,647,904
Restricted	1,066,643	-	17,855,149	18,921,792
Assigned	207,690	1,086,157	179,014	1,472,861
Unassigned	6,279,043	-	-	6,279,043
Total fund balances	9,201,280	1,086,157	18,034,163	28,321,600
Total liabilities, deferred inflows, and fund balances	\$ 11,152,441	\$ 1,086,157	\$ 18,238,748	\$ 30,477,346

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

Balance Sheet - Governmental Funds**June 30, 2020****Reconciliation of Balance Sheet - Governmental Funds
to Statement of Net Position****Total fund balances - governmental funds** \$ 28,321,600

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. 38,147,419

Deferred outflows of resources for OPEB and pension contributions used in governmental activities are not financial resources and, therefore, are not reported in the funds (excluding \$18,649 related to Internal Service Fund). 705,903

Deferred outflows of resources for net difference between projected and actual earnings on OPEB plan investments, change of actuarial assumption, and net difference between projected and actual experience on OPEB plan investments are not financial resources and, therefore, are not reported in the funds (excluding \$18,417 related to Internal Service Fund). 661,064

Deferred outflows of resources for and change of actuarial assumptions are not financial resources and, therefore, are not reported in the fund. (excluding \$25,938 related to Internal Service Fund). 927,603

Deferred outflows of resources for gain/loss on refunding in governmental activities are not financial resources and, therefore, are not reported in the funds. 1,035,546

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. 377,517

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

Accrued interest (524,487)
Accrued compensated absences (excluding \$26,396 related to Internal Service Fund) (665,561)
Net pension liability (excluding \$78,078 related to Internal Service Fund) (2,792,039)
Net OPEB liability (excluding \$73,498 related to Internal Service Fund) (2,628,790)

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. (39,133,555)

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, are not reported in the funds (excluding \$11,816 related to Internal Service Fund). (422,579)

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, changes in proportionate share of net OPEB liability, and change of actuarial assumptions are not due and payable in the current period and, therefore, are not reported in the funds (excluding \$4,999 related to Internal Service Fund). (178,974)

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. (55,231)

Total net position - governmental activities \$ 23,775,436

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, 2020**

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
General property taxes	\$ 21,594,010	\$ -	\$ -	\$ 21,594,010
Other local taxes	2,903,939	-	-	2,903,939
Permits, privilege fees, and regulatory licenses	106,467	-	-	106,467
Fines and forfeitures	30,661	-	-	30,661
Use of money and property	322,261	-	-	322,261
Charges for services	600,840	-	-	600,840
Intergovernmental	4,726,323	-	774,320	5,500,643
Miscellaneous	66,052	-	322,107	388,159
Total revenues	30,350,553	-	1,096,427	31,446,980
Expenditures				
General government administration	2,427,124	-	-	2,427,124
Public safety and judicial	7,591,455	-	-	7,591,455
Public works	1,883,868	-	-	1,883,868
Health and welfare	1,160,520	-	-	1,160,520
Parks, recreation, and cultural	1,650,414	-	-	1,650,414
Community development	764,987	-	-	764,987
Nondepartmental	205,324	-	-	205,324
Education	10,077,056	-	-	10,077,056
Economic Development Authority	17,053	-	-	17,053
Capital outlay	-	-	2,511,266	2,511,266
Debt service				
Principal retirement	28,489	2,350,001	64,519	2,443,009
Interest and fiscal charges	-	1,468,450	5,900	1,474,350
Total expenditures	25,806,290	3,818,451	2,581,685	32,206,426
Excess (deficiency) of revenues over (under) expenditures	4,544,263	(3,818,451)	(1,485,258)	(759,446)
Other financing sources (uses)				
Transfers in	200,000	3,795,082	263,506	4,258,588
Transfers out	(4,058,588)	-	-	(4,058,588)
Total other financing sources (uses), net	(3,858,588)	3,795,082	263,506	200,000
Net change in fund balances	685,675	(23,369)	(1,221,752)	(559,446)
Fund balances, beginning of year	8,515,605	1,109,526	19,255,915	28,881,046
Fund balances, end of year	\$ 9,201,280	\$ 1,086,157	\$ 18,034,163	\$ 28,321,600

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, 2020****Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds to Statement of Activities**

Net change in fund balances - total governmental funds	\$ (559,446)
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Amount reported for governmental activities in the Statement of Activities are different because:

Some revenues will not be collected for several months after the City's fiscal year-end. They are not considered "available" revenues and are deferred in the governmental funds. Unavailable revenues changed by this amount this year. 31,593

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	2,477,197
Depreciation expense	(1,889,393)
Disposal and transfers of capital assets	(3,310,393)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Deferred refunding charge, net	(150,006)
Repayment of debt principal and capital leases	2,443,009
Amortization of premiums	329,393

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	66,057
Compensated absences	3,765
Pension expense	(92,060)
OPEB expense	(48,037)

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.

Change in net position - governmental activities	<hr style="width: 100px; margin-left: 0;"/> <u>\$ (680,986)</u>
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Statement of Net Position - Proprietary Funds**June 30, 2020**

	Business-type Activities Proprietary Funds			Governmental Activities - Internal Service Funds	
	Sewer Operation	Solid Waste	Total		
Assets					
Current assets					
Cash and investments	\$ 3,037,713	\$ 112,754	\$ 3,150,467	\$ 84,491	
Accounts receivable	245,486	179,686	425,172	-	
Note receivable	523	-	523	-	
Inventory	-	3,840	3,840	10,370	
Total current assets	3,283,722	296,280	3,580,002	94,861	
Noncurrent assets					
Capital assets					
Land	217,666	-	217,666	-	
Construction in progress					
Buildings	123,549	9,023	132,572	41,742	
Sewer system	22,541,590	-	22,541,590	-	
Machinery and equipment	1,843,310	584,856	2,428,166	37,771	
Less accumulated depreciation	(14,239,360)	(414,617)	(14,653,977)	(76,279)	
Total capital assets, net	10,486,755	179,262	10,666,017	3,234	
Total assets	13,770,477	475,542	14,246,019	98,095	
Deferred Outflows of Resources					
Deferred outflows related to pension	51,607	11,094	62,701	43,183	
Deferred outflows related to OPEB	24,910	2,857	27,767	19,821	
Deferred refunding costs	41,922	-	41,922	-	
Total deferred outflows of resources	118,439	13,951	132,390	63,004	
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	9,279	77,443	86,722	14,714	
Accrued payroll	2,115	1,521	3,636	6,829	
Accrued interest	62,582	-	62,582	-	
Compensated absences	1,757	415	2,172	2,640	
Bonds payable	590,150	-	590,150	-	
Total current liabilities	665,883	79,379	745,262	24,183	
Noncurrent liabilities					
Compensated absences	15,816	3,734	19,550	23,756	
Bonds payable	4,663,708	-	4,663,708	-	
Net pension liability	89,700	20,265	109,965	78,078	
Net OPEB liability	92,183	11,047	103,230	73,498	
Total noncurrent liabilities	4,861,407	35,046	4,896,453	175,332	
Total liabilities	5,527,290	114,425	5,641,715	199,515	
Deferred Inflows of Resources					
Deferred inflows related to pension	13,575	3,067	16,642	11,816	
Deferred inflows related to OPEB	6,275	754	7,029	4,999	
Total deferred inflows of resources	19,850	3,821	23,671	16,815	
Net Position					
Net investment in capital assets	5,274,819	179,262	5,454,081	3,234	
Unrestricted (deficit)	3,066,957	191,985	3,258,942	(58,465)	
Total net position (deficit)	\$ 8,341,776	\$ 371,247	\$ 8,713,023	\$ (55,231)	

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, 2020**

	Business-type Activities			Governmental
	Sewer Operation	Solid Waste	Total	Activities - Internal Service Funds
Operating revenues				
Charges for services	\$ 1,775,917	\$ 1,141,314	\$ 2,917,231	\$ 726,778
Total operating revenues	1,775,917	1,141,314	2,917,231	726,778
Operating expenses				
Personnel services	314,552	100,400	414,952	288,881
Contractual services	129,166	460,620	589,786	85,075
Materials and supplies	32,869	23,715	56,584	313,254
Utilities	71,854	91	71,945	3,852
Depreciation	702,793	19,511	722,304	590
Other charges	34,616	2,535	37,151	17,791
Waste disposal	-	435,122	435,122	-
Total operating expenses	1,285,850	1,041,994	2,327,844	709,443
Operating income	490,067	99,320	589,387	17,335
Nonoperating revenues (expenses)				
Interest income	32,776	-	32,776	-
Interest and fiscal charges	(171,479)	-	(171,479)	-
Sewer availability fees	126,000	-	126,000	-
Total nonoperating expenses, net	(12,703)	-	(12,703)	-
Income before transfers	477,364	99,320	576,684	17,335
Transfers				
Transfers out	(150,000)	(50,000)	(200,000)	-
Transfers	(150,000)	(50,000)	(200,000)	-
Change in net position	327,364	49,320	376,684	17,335
Net position, beginning of year	8,014,412	321,927	8,336,339	(72,566)
Net position, end of year	\$ 8,341,776	\$ 371,247	\$ 8,713,023	\$ (55,231)

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

Statement of Cash Flows - Proprietary Funds**Year Ended June 30, 2020**

	Business-type Activities			Internal
	Sewer Operation	Solid Waste	Total	Service Funds
Cash flows from operating activities				
Received from customers and users	\$ 1,767,528	\$ 1,124,578	\$ 2,892,106	\$ 726,904
Payments to suppliers for goods and services	(263,109)	(904,126)	(1,167,235)	(417,148)
Payments to employees	(315,760)	(100,088)	(415,848)	(282,915)
Net cash provided by operating activities	1,188,659	120,364	1,309,023	26,841
Cash flows from noncapital financing activities				
Due from other funds, net	26,000	-	26,000	-
Transfers to other funds, net	(150,000)	(50,000)	(200,000)	-
Net cash used in noncapital financing activities	(124,000)	(50,000)	(174,000)	-
Cash flows from capital and related financing activities				
Principal paid on capital debt	(515,000)	-	(515,000)	-
Sewer availability fees	126,000	-	126,000	-
Interest paid on capital debt	(192,180)	-	(192,180)	-
Acquisition and construction of capital assets	(292,107)	(156,108)	(448,215)	-
Net cash used in capital and related financing activities	(873,287)	(156,108)	(1,029,395)	-
Cash flows from investing activities				
Interest received	32,776	-	32,776	-
Net increase (decrease) in cash and investments	224,148	(85,744)	138,404	26,841
Cash and investments, beginning of year	2,813,565	198,498	3,012,063	57,650
Cash and investments, end of year	\$ 3,037,713	\$ 112,754	\$ 3,150,467	\$ 84,491
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 490,067	\$ 99,320	\$ 589,387	\$ 17,335
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	702,793	19,511	722,304	590
Pension expense	(1,758)	76	(1,682)	4,463
OPEB expense	1,713	1,555	3,268	1,321
Changes in assets and liabilities:				
Receivables	(8,389)	(16,736)	(25,125)	126
Inventories	-	2,340	2,340	8,320
Accounts payable and accrued liabilities	5,395	15,617	21,012	(5,497)
Accrued compensated absences	4,720	(29)	4,691	1,212
Accrued payroll	(5,882)	(1,290)	(7,172)	(1,029)
Net cash provided by operating activities	\$ 1,188,659	\$ 120,364	\$ 1,309,023	\$ 26,841

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

Statement of Fiduciary Net Position**June 30, 2020**

	Assets	Postemployment Benefits Trust Fund	Other Library Agency Fund
Cash and cash equivalents	\$ 71,438	\$ 17,655	
Investments in pooled funds	153,695	-	
Total assets	\$ 225,133	\$ 17,655	
	Liabilities		
Amounts held for others	\$ -	\$ 17,655	
Advance payments	11,851	-	
Total liabilities	11,851	\$ 17,655	
	Net Position		
Restricted for postemployment benefits other than pensions	<u>\$ 213,282</u>		

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

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

Year Ended June 30, 2020

	Other Postemployment Benefits Trust Fund
Additions	
Contributions	\$ 191,878
Net increase in fair value of investments	13,159
Total additions	205,037
Deductions	
Retirement benefits	179,823
Total deductions	179,823
Change in net position	25,214
Total net position, beginning of year	188,068
Total net position, end of year	\$ 213,282

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

Combining Statement of Net Position - Component Units**June 30, 2020**

	Poquoson City Public Schools	Economic Development Authority	Total
Assets			
Cash and cash equivalents, net	\$ 2,922,688	\$ 51,520	\$ 2,974,208
Restricted cash and cash equivalents	292,194	-	292,194
Due from other governments	347,997	-	347,997
Other receivables	2,205	-	2,205
Inventory	22,828	-	22,828
Capital assets			
Non-depreciable	450,876	2,330,945	2,781,821
Depreciable, net	8,038,863	71,648	8,110,511
Total assets	12,077,651	2,454,113	14,531,764
Deferred Outflows of Resources			
Deferred outflows related to pension	3,839,140	-	3,839,140
Deferred outflows related to OPEB	578,129	-	578,129
Total deferred outflows of resources	4,417,269	-	4,417,269
Liabilities			
Accounts payable and accrued liabilities	2,584,733	-	2,584,733
Accrued interest	-	14,087	14,087
Due to Primary Government	203,156	1,647,904	1,851,060
Noncurrent liabilities			
Due within one year	84,268	-	84,268
Due in more than one year	317,008	-	317,008
Net pension liability	18,904,801	-	18,904,801
Net OPEB liability	3,134,555	-	3,134,555
Total liabilities	25,228,521	1,661,991	26,890,512
Deferred Inflows of Resources			
Deferred inflows related to pension	2,121,407	-	2,121,407
Deferred inflows related to OPEB	198,869	-	198,869
Total deferred inflows of resources	2,320,276	-	2,320,276
Net Position			
Net investment in capital assets	8,489,739	754,689	9,244,428
Restricted	292,194	-	292,194
Unrestricted (deficit)	(19,835,810)	37,433	(19,798,377)
Total net position (deficit)	\$ (11,053,877)	\$ 792,122	\$ (10,261,755)

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

Combining Statement of Activities - Component Units**Year Ended June 30, 2020**

	Program Revenues				Net Revenues (Expenses) and Changes in Net Position		
	Charges for Services	Grants and Contributions	Capital Contributions	Operating	Poquoson	Economic	Total
					City Public Schools	Development Authority	
Poquoson City Public Schools							
Education	\$ 21,425,410	\$ 790,728	\$ 11,254,852	\$ -	\$ (9,379,830)	\$ -	\$ (9,379,830)
Economic Development Authority							
Economic Development Authority	65,125	49,364	-	-	-	(15,761)	(15,761)
Total component units	\$ 21,490,535	\$ 840,092	\$ 11,254,852	\$ -	\$ (9,379,830)	(15,761)	(9,395,591)
General revenues							
Sales tax				\$ 2,438,009	\$ -	\$ 2,438,009	
City of Poquoson				10,077,056	17,053	10,094,109	
Total general revenues	\$ 12,515,065				17,053	12,532,118	
Change in net position							
Net position (deficit), beginning of year				3,135,235	1,292	3,136,527	
Net position (deficit), end of year				(14,189,112)	790,830	(13,398,282)	
				\$ (11,053,877)	\$ 792,122	\$ (10,261,755)	

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

City of Poquoson, Virginia

Notes to Basic Financial Statements

June 30, 2020

1. Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

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

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

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

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

The entities described in Note 14, Related Party Transactions, are excluded from the City's Comprehensive Annual Financial Report (CAFR) 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. The City uses an internal service fund to account for its fleet vehicles. Because this service predominantly benefits governmental, rather than business-type, functions the fleet fund has been included with governmental activities in the government-wide financial statements. Fiduciary funds are not included in the government-wide financial statements since they are used to report assets held in trust for others and, therefore, cannot be used to support the City's own programs.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary financial statements. 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 enterprise funds:

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

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

The City reports the following additional proprietary fund type:

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

Additionally, the City reports the following fiduciary fund types:

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

The *Library 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 Fund, and Proprietary Funds are not included in the budget and actual comparisons.

Budgets are adopted on a budgetary basis, which is consistent with U.S. GAAP except 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, 2020 for an increase in appropriations in the amount of \$2,037,207 for additional grant funding for the Primary Government General Fund.

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

Component Unit – Poquoson City Public Schools

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

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

Cash and Investments

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

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

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, 2020, 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 funds' basis and the government-wide basis.

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

The estimated useful lives of capital assets are as follows:

Buildings	15 – 40 years
Building improvements	5 – 40 years
Infrastructure	20 – 50 years
Machinery and equipment	3 – 50 years
Land improvements	10 – 50 years
Sewer system	40 years

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

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 and proprietary fund Statements of Net Position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price, which is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows for pensions and OPEB result from changes in actuarial assumptions, change in the proportionate share of total pension and OPEB liabilities, actual economic experience that is different than estimated, and contributions made subsequent to the measurement date. Deferred outflows of resources resulting from contributions made subsequent to the measurement date but before the end of the employer's reporting period will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Changes in deferred outflows of resources, other than subsequent contributions, are amortized over the remaining service life of all plan participants.

In addition to liabilities, the financial statements will sometimes provide a separate section for deferred inflows of resources 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 and proprietary fund Statements of Net Position. Actuarial losses resulting from actual economic experience that is different than estimated, pension and OPEB trust investment returns that are lower than projected earnings, changes in actuarial assumptions for pension and OPEB programs, and changes in proportionate share of pension and OPEB liabilities are deferred and amortized. Changes in deferred inflows of resources are amortized over the remaining service life of all plan participants, with the exception of investment experience amounts, which are deferred and amortized over a closed five-year period.

Unearned Revenues

The City received funding of \$1,070,597 on June 4, 2020 from the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 provided by the Federal Government to help address the public health emergency with respect to COVID-19. The funds were received as a pass-through from the Commonwealth of Virginia. A total of \$423,217 was used in fiscal year 2020 to defray the cost associated with eligible expenditures utilized to combat the coronavirus. The remaining funds \$657,521 are reported as unearned revenues on the basic financial statements and will be recognized as revenue as earned in fiscal year 2021 to cover the cost for expenditures purchased through December 30, 2020.

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

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

Fund Balances/Net Positions

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

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

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

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

Assigned – Includes amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council's delegation of this authority to the City Manager, 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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred flows of resources, revenue and expenses, and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

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

Concentration Risk

The assessed value of real estate for the City's ten largest taxpayers comprises 3.41% 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.

New Accounting Pronouncements

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 is effective for reporting periods beginning after December 15, 2019 although early implementation is encouraged. The City implemented this statement effective for the year ended June 30, 2020.

For the City's proprietary funds, interest costs incurred during the construction period will no longer be capitalized. Rather, GASB No. 89 requires the interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost was incurred. As a result, interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The prospective implementation does not require restatement of any balances (including capital assets that are in service, construction in progress or accumulated depreciation) or adjustments to beginning balances to remove interest previously capitalized.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications have no effect on the assets, deferred outflows, liabilities, deferred inflows, and net position previously reported.

2. Deposits and Investments

Deposits

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

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

At June 30, 2020, 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.

2. Deposits and Investments (*Continued*)

Investments

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, prime quality commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, and the Virginia Treasurer's LGIP, which is managed in accordance with the "2a-7 like pool" risk limiting requirements of U.S. GAAP with portfolio securities valued by the amortized cost method. The fair value of the LGIP is the same as the value of the pool shares. Investments with a maturity date of one year or less are stated at amortized cost. As of June 30, 2020, the City had \$16,432,649 invested in SNAP, which values portfolio securities by the amortized cost method in accordance with U.S. GAAP and periodically monitors the relationship between the amortized cost value per share and the net asset value (NAV) per share based upon available indications of 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.

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

Investment Policy

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

U.S. Government Obligations	100% maximum
Registered Money Market Mutual Funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Bank Deposits	75% maximum
Repurchase Agreements	50% maximum
Bankers' Acceptances	40% maximum
Commercial Paper	20% maximum
Negotiable Certificates of Deposit / Bank Notes	20% maximum
Municipal Obligations	20% maximum
Corporate Notes	10% maximum

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

Investment Policy (Continued)

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 and “Aa2” or enhanced “Aa1” by Moody’s Investors Service.

Concentration of Credit Risk

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

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

2. Deposits and Investments (*Concluded*)

Interest Rate Risk

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

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

Custodial Risk

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

As of June 30, 2020, 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		
	Fair Value	1 Year	1 - 3 Years
Commonwealth of Virginia LGIP	\$ 8,710,226	\$ 8,710,226	\$ -
VML/VACo Pooled OPEB Trust Fund	153,695	-	153,695
SNAP	16,432,649	-	16,432,649
Total investments	25,296,570	\$ 8,710,226	\$ 16,586,344

Reconciliation to total cash and investments:

Add:

Cash on hand and in banks 8,008,062

Total cash and investments 33,304,632

Less:

Cash and investments held in fiduciary funds 242,788

Total cash and investments, Exhibit A,

Primary Government and Component Units 33,061,844

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 5 and June 5. The City bills and collects its own property taxes.

	Governmental Activities	Business-type Activities	Total
Real estate taxes	\$ 443,956	\$ -	\$ 443,956
Personal property taxes	415,346	-	415,346
Accounts receivable	60,239	425,172	485,411
	919,541	425,172	1,344,713
Less allowance for uncollectible accounts	(305,000)	-	(305,000)
Receivables, net	\$ 614,541	\$ 425,172	\$ 1,039,713

4. **Notes Receivable**

The City has a \$1,647,904 note receivable from the EDA. In fiscal year 2013, the EDA borrowed \$1,734,000 from the City to pay off their line of credit, which became due on June 30, 2013. The funds for this note receivable were obtained when the City issued a \$1,734,000 general obligation bond on June 12, 2013, along with a \$300,000 taxable line of credit for future economic development use (see Notes 8 and 9). The EDA has agreed to pay interest and principal when due, and will pay a minimum of 50% of the proceeds of any sale of property towards principal until the debt is paid in full. 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

	Total
Commonwealth of Virginia	
Communications Sales and Use Tax	\$ 27,798
Compensation Board	18,260
Children's Services Act	59,303
Division of Motor Vehicles	7,144
Emergency Medical Services Grant	13,225
Meals Tax	68,126
Mobile Home Tilting	2,562
PPTRA	884,122
Recordation Tax	25,808
Sales Tax	76,674
School Resource Officer Grants	20,320
VDOT	6,675
Tea 21 Grant	140,909
Total due from the Commonwealth of Virginia	<u>1,350,926</u>

Federal Government

DUI Grants - Selective Enforcement - Alcohol	700
DUI Grants - Selective Enforcement - Speed	1,225
FEMA Grant	10,195
Homeland Security Special Ops Grant	65,045
Port Security Grant	23,170
Total due from the federal government	<u>100,335</u>
Total due from other governments	<u><u>\$ 1,451,261</u></u>

5. Due from Other Governments (Concluded)

Component Unit – Schools

Commonwealth of Virginia

Sales Tax	\$ 182,593
Technology Reimbursement	52,355
Total due from the Commonwealth of Virginia	<u>234,948</u>

Federal Government

Department of Education Program	
Title VI-B	25,490
Various Grants	87,559
Total due from the federal government	<u>113,049</u>
Total due from other governments	<u>\$ 347,997</u>

6. Receivables and Payables - Component Units

Details of the receivables and payables between the Primary Government and component units at June 30, 2020 are as follows:

Primary Government	Component Unit		Total
	Receivable	Payable	
Due from EDA	Due to Primary Government	\$ 1,647,904	
Due from Schools	Due to Primary Government	203,156	
Total		<u>\$ 1,851,060</u>	

See “Note 4, Notes Receivable” for more information regarding the EDA’s \$1,647,904 due to the City.

7. Capital Assets

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

	Balance July 1, 2019	Increase	Decrease	Balance June 30, 2020
Capital assets, non-depreciable				
Land	\$ 3,004,720	\$ 9,330	\$ -	\$ 3,014,050
Construction in progress	401,911	1,215,430	397,402	1,219,939
Total capital assets, non-depreciable	<u>3,406,631</u>	<u>1,224,760</u>	<u>397,402</u>	<u>4,233,989</u>
Capital assets, depreciable				
Buildings	10,581,070	-	-	10,581,070
Building improvements	474,219	30,446	-	504,665
Infrastructure	40,384,319	-	-	40,384,319
Land improvements	4,362,225	235,625	-	4,597,850
Machinery and equipment	8,561,301	1,284,768	-	9,846,069
Total capital assets, depreciable	<u>64,363,134</u>	<u>1,550,839</u>	<u>-</u>	<u>65,913,973</u>
Less accumulated depreciation				
Buildings	5,893,351	390,712	-	6,284,063
Building improvements	137,315	41,022	-	178,337
Infrastructure	33,190,101	174,163	-	33,364,264
Land improvements	2,386,046	139,896	-	2,525,942
Machinery and equipment	6,133,727	429,232	-	6,562,959
Total accumulated depreciation	<u>47,740,540</u>	<u>1,175,025</u>	<u>-</u>	<u>48,915,565</u>
Total capital assets, depreciable, net before allocation from School Board	<u>16,622,594</u>	<u>375,814</u>	<u>-</u>	<u>16,998,408</u>
Allocation of School Board assets				
Buildings	28,952,536	-	5,633,744	23,318,792
Less accumulated depreciation				
Buildings	8,107,929	714,958	2,422,351	6,400,536
Total allocated from School Board	<u>20,844,607</u>	<u>(714,958)</u>	<u>3,211,393</u>	<u>16,918,256</u>
Total capital assets, depreciable	<u>37,467,201</u>	<u>(339,144)</u>	<u>3,211,393</u>	<u>33,916,664</u>
Total capital assets	<u>\$ 40,873,832</u>	<u>\$ 885,616</u>	<u>\$ 3,608,795</u>	<u>\$ 38,150,653</u>

7. Capital Assets (*Continued*)

Depreciation was charged to governmental functions as follows:

General government administration	\$ 106,499
Public safety	507,661
Public works	421,905
Health and welfare	2,049
Parks, recreation, and cultural	135,208
Community development	1,113
Education	714,958
Internal Service Fund	590
	<u>\$ 1,889,983</u>

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

	Balance July 1, 2019			Balance June 30, 2020
		Increase	Decrease	
Capital assets, non-depreciable				
Land	\$ 217,666	\$ -	\$ -	\$ 217,666
Total capital assets, non-depreciable	217,666	-	-	217,666
Capital assets, depreciable				
Buildings	132,572	-	-	132,572
Machinery and equipment	1,979,951	448,215	-	2,428,166
Sewer system	22,541,590	-	-	22,541,590
Total capital assets, depreciable	24,654,113	448,215	-	25,102,328
Less accumulated depreciation				
Buildings	20,725	7,713	-	28,438
Machinery and equipment	1,084,584	145,802	-	1,230,386
Sewer system	12,826,364	568,789	-	13,395,153
Total accumulated depreciation	13,931,673	722,304	-	14,653,977
Total capital assets, depreciable, net	10,722,440	(274,089)	-	10,448,351
Total	\$ 10,940,106	\$ (274,089)	\$ -	\$ 10,666,017

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

Sewer Fund	\$ 702,793
Solid Waste Fund	519,511
	<u>\$ 722,304</u>

7. Capital Assets (*Continued*)

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

	Balance July 1, 2019	Increase	Decrease	Balance June 30, 2020
Capital assets, non-depreciable				
Land	\$ 450,876	\$ -	\$ -	\$ 450,876
Capital assets, depreciable				
Buildings and building				
improvements	36,216,389	431,056	-	36,647,445
Infrastructure	140,918	-	-	140,918
Land improvements	4,298,580	9,995	-	4,308,575
Machinery and equipment	3,345,084	225,540	126,690	3,443,934
Total capital assets, depreciable	<u>44,000,971</u>	<u>666,591</u>	<u>126,690</u>	<u>44,540,872</u>
Less accumulated depreciation				
Buildings and building				
improvements	13,767,733	772,314	-	14,540,047
Infrastructure	20,422	5,359	-	25,781
Land improvements	2,441,506	179,099	-	2,620,605
Machinery and equipment	2,288,669	235,341	126,690	2,397,320
Total accumulated depreciation	<u>18,518,330</u>	<u>1,192,113</u>	<u>126,690</u>	<u>19,583,753</u>
Capital assets, depreciable, net, before allocation to City	<u>25,482,641</u>	<u>(525,522)</u>	<u>-</u>	<u>24,957,119</u>
Allocation to City				
Buildings	28,952,536		5,633,744	23,318,792
Less accumulated depreciation	8,107,929	714,958	2,422,351	6,400,536
Total allocated to City	<u>20,844,607</u>	<u>(714,958)</u>	<u>3,211,393</u>	<u>16,918,256</u>
Total capital assets, depreciable, net	<u>4,638,034</u>	<u>189,436</u>	<u>(3,211,393)</u>	<u>8,038,863</u>
Total	<u>\$ 5,088,910</u>	<u>\$ 189,436</u>	<u>\$ (3,211,393)</u>	<u>\$ 8,489,739</u>

7. **Capital Assets (Concluded)**

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

	Balance			Balance
	July 1,	Increase	Decrease	June 30,
	2019			2020
Capital assets, non-depreciable				
Land	\$ 2,330,945	\$ -	\$ -	\$ 2,330,945
Capital assets, depreciable				
Infrastructure	315,273	-	-	315,273
Total capital assets, depreciable	315,273	-	-	315,273
Less accumulated depreciation				
Infrastructure	229,294	14,331	-	243,625
Total accumulated depreciation	229,294	14,331	-	243,625
Total capital assets, depreciable, net	85,979	(14,331)	-	71,648
Total	<u>\$ 2,416,924</u>	<u>\$ (14,331)</u>	<u>\$ -</u>	<u>\$ 2,402,593</u>

8. Long-term Obligations

Governmental Activities

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

	Balance			Balance June 30,	Amounts Due Within One Year	
	July 1,					
	2019	Increase	Decrease	2020		
General obligation bonds	\$ 37,882,586	\$ -	\$ 2,350,001	\$ 35,532,585	\$ 2,318,999	
Unamortized premium	3,742,779	-	329,393	3,413,386	329,393	
	41,625,365	-	2,679,394	38,945,971	2,648,392	
Capital lease obligations	280,592	-	93,008	187,584	95,303	
	41,905,957	-	2,772,402	39,133,555	2,743,695	
Net pension liability	1,680,707	1,189,410	-	2,870,117	-	
Net OPEB liability - Local Plan	1,766,520	273,392	-	2,039,912	-	
Net OPEB liability - State Programs	603,497	58,879	-	662,376	-	
Accrued compensated absences	694,510	600,302	602,855	691,957	69,195	
Total	\$ 46,651,191	\$ 2,121,983	\$ 3,375,257	\$ 45,397,917	\$ 2,812,890	

Component Unit - Schools

Net pension liability	\$ 17,114,733	\$ 1,790,068	\$ -	\$ 18,904,801	\$ -
Net OPEB liability - Local Plan	203,137	4,785	-	207,922	-
Net OPEB liability - State Programs	2,837,000	89,633	-	2,926,633	-
Accrued compensated absences	392,628	562,861	554,213	401,276	84,268
Total	\$ 20,547,498	\$ 2,447,347	\$ 554,213	\$ 22,440,632	\$ 84,268

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:

General Obligation Refunding Bonds, Series 2012 - \$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%.	\$ 2,279,998
General Obligation Bonds, Series 2013 - \$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%.	1,367,587
General Obligation Bonds, Series 2016 - \$14,830,000 bonds issued and due in annual installments varying from \$40,000 to \$2,245,000 beginning February 2015 through February 2031, with interest payable semi-annually at rates from 2% to 5%.	13,915,000
General Obligation Bonds, Series 2018 - \$18,070,000 bonds issued and due in annual installments varying from \$100,000 to \$1,565,000 beginning February 2020 through February 2040, with interest payable semi-annually at rates from 3% to 5%.	17,970,000
	<u><u>\$ 35,532,585</u></u>

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

Years Ending June 30,	Principal	Interest
2021	\$ 2,318,999	\$ 1,392,953
2022	2,447,000	1,281,512
2023	2,561,001	1,163,742
2024	2,540,000	1,044,484
2025	2,668,999	923,987
2026-2030	9,291,585	3,078,850
2031-2035	6,345,000	1,815,955
2036-2040	7,360,001	750,094
	<u><u>\$ 35,532,585</u></u>	<u><u>\$ 11,451,577</u></u>

8. Long-term Obligations (*Continued*)

Governmental Activities (*Continued*)

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, 2020, accumulated depreciation under this lease totaled \$37,769. The balance of this lease as of June 30, 2020 was \$33,597. 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, 2020, accumulated depreciation under this lease totaled \$41,750. The balance of this lease was \$67,906 as of June 30, 2020. In July 2018, the City entered into capital leases for four police vehicles, which were capitalized at a combined cost of \$161,336. The capitalized cost of the police vehicles included the amounts initially recorded as capital leases, as well as costs to outfit the vehicles. At June 30, 2020, accumulated depreciation under these leases totaled \$48,401. The combined balance of these leases was \$86,081 as of June 30, 2020. Future minimum lease payments under capital lease and present value of the minimum lease payments are as follows:

2021		\$ 99,051
2022		64,265
2023		28,489
2024		613
		<hr/>
Total minimum lease payments		192,418
Less imputed interest		(4,834)
		<hr/>
Less current portion		187,584
Long-term portion		(95,303)
		<hr/>
		\$ 92,281

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, 2020, the City's aggregate general obligation indebtedness was \$128,066,049 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		Amounts	
	July 1,		Decrease	2020	June 30,	Due Within	
	2019	Increase				One Year	
General obligation bonds	\$ 5,450,002	\$ -	\$ 515,000	\$ 4,935,002	\$ 540,000		
Unamortized premium	369,007	-	50,151	318,856	50,150		
	<hr/>		<hr/>	<hr/>	<hr/>		
	5,819,009	-	565,151	5,253,858	590,150		
Net pension liability	68,208	41,757	-	109,965			-
Net OPEB liability - Local Plan	65,969	10,210	-	76,179			-
Net OPEB liability - State Programs	24,600	2,451	-	27,051			-
Accrued compensated absences	17,031	24,659	19,968	21,722			2,172
Total	\$ 5,994,817	\$ 79,077	\$ 585,119	\$ 5,488,775	\$ 592,322		

8. Long-term Obligations (*Concluded*)

Business-type Activities (*Continued*)

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%.	\$ 160,002
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%.	4,775,000
	<u>\$ 4,935,002</u>

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

Years Ending June 30,	Principal	Interest
2021	\$ 540,000	\$ 166,878
2022	565,002	140,774
2023	590,000	114,900
2024	610,000	97,200
2025	630,000	78,900
2026-2028	2,000,000	121,050
	<u>\$ 4,935,002</u>	<u>\$ 719,702</u>

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

9. Due to Primary Government, Component Unit - 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 \$1,647,904 at June 30, 2020. 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 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 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, 2020, the remaining outstanding balance of these bonds totaled \$10,375,116.

11. Fund Balances

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

Within the Governmental Funds restricted fund balance, the City has established a Fiscal Stability Reserve of \$822,000. The Fiscal Stability Reserve was established by City ordinance to accumulate a balance of \$1 million to be separate fund and above the unassigned fund balance policy of 12%. The Fiscal Stability Reserve serves as a contingency against unanticipated/emergency expenditures (i.e. hurricane or pandemic related). If the Fiscal Stability Reserve falls below the policy level, the City will adopt a plan as part of the following year's budget process to restore the balance within 24 months from the date of budget adoption.

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

	General	Debt Service	Capital Project	Total Governmental Funds
Nonspendable				
EDA note receivable	\$ 1,647,904	\$ -	\$ -	\$ 1,647,904
Total nonspendable	1,647,904	-	-	1,647,904
Restricted				
Revenue stabilization	822,000	-	-	822,000
Asset forfeiture	2,432	-	-	2,432
4 For Life	23,187	-	-	23,187
Fire Fund	93,460	-	-	93,460
Library donations	7,670	-	-	7,670
Street lights	10,267	-	-	10,267
Wetland Creation	29,004	-	-	29,004
CDBG Program revenues	78,623	-	-	78,623
Capital projects	-	-	17,855,149	17,855,149
Total restricted	1,066,643	-	17,855,149	18,921,792
Assigned				
General government and administration	3,461	-	-	3,461
Health and welfare	21,211	-	-	21,211
Public safety and judicial	53,347	-	-	53,347
Public works	16,833	-	-	16,833
Debt service	-	1,086,157	-	1,086,157
Capital projects	-	-	179,014	179,014
Subsequent year budget transfers				
Capital Projects Fund	15,000	-	-	15,000
OPEB Trust Fund	78,697	-	-	78,697
EDA Fund	19,141	-	-	19,141
Total assigned	207,690	1,086,157	179,014	1,472,861
Unassigned				
Total fund balances	\$ 9,201,280	\$ 1,086,157	\$ 18,034,163	\$ 28,321,600

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, 2020:

Description	Amount
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.

Description	Amount
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 pool for its general insurance coverage. The agreements of political subdivisions participating in the pools provide that the pools will be self-sustaining through member premiums but will reinsure through commercial companies for excess liability claims. There have been no significant reductions in insurance coverage from the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three years.

12. **Contingency (Concluded)**

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, 2020, the City's General Fund had outstanding encumbrances of \$94,852 and the Component Unit - Schools' General Fund had outstanding encumbrances of \$485,001.

Economic Uncertainty

During 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the City's revenues and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

13. **Interfund Transfers**

Interfund transfers for the year ended June 30, 2020 are as follows:

	Transfers In	Transfers Out
General Fund	\$ 200,000	\$ 4,058,588
Debt Service Fund	3,795,082	-
Capital Projects Fund	263,506	-
Sewer Operations Fund	-	150,000
Solid Waste Fund	-	50,000
	<hr/> <u>\$ 4,258,588</u>	<hr/> <u>\$ 4,258,588</u>

Purpose:

\$3,795,082 From General Fund to Debt Service Fund for current year debt payments.

\$ 263,506 From General Fund to Capital Projects Fund to fund capital projects.

\$ 150,000 From Sewer Operations Fund to General Fund to finance general government expenditures.

\$ 50,000 From Solid Waste Fund to General Fund to finance general government expenditures.

14. **Related Party Transactions**

The City's financial statements do not include certain public commissions and authorities created as separate governmental entities under the laws of the Commonwealth of Virginia. These agencies are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the City, although certain members of their governing bodies are appointed by Council. These entities are the Hampton Roads Planning District Commission (HRPDC), the Virginia Peninsula's Public Service Authority (VPPSA), the Peninsula Council Workforce Development (PCWD), and Colonial Behavioral Health (CBH). Expenditures of these agencies are financed by federal and state grants and fees, including contributions from the City. During the year ended June 30, 2020, the City provided support or paid for services to HRPDC of \$23,810, VPPSA of \$443,612, PCWD of \$5,847, and CBH of \$190,000.

14. Related Party Transactions (*Concluded*)

In addition, a conglomerate of municipalities shares certain expenses for maintaining and operating a regional jail and juvenile detention center. During fiscal year 2020, the City incurred expenses for the regional jail and juvenile detention center of \$232,916 and \$30,030, respectively.

The City also participates in a regional animal shelter, Newport News Animal Services, with several other localities. The City paid \$38,549 for its share in fiscal year 2020.

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, 2020, the City paid \$1,087,093 to York County for these shared services.

The City shares Hampton Steam Plant services and their associated costs with Hampton. During the year ended June 30, 2020, the City paid \$88,010 to Hampton for these shared services.

The Schools' financial statements do not include the New Horizons Education Center. During the year ended June 30, 2020, the Schools provided support of \$624,302 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>About VRS Plan 1</p> <p>VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p>	<p>About VRS Plan 2</p> <p>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>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • 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. • 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.
<p>Eligible Members</p> <p>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>Hybrid Opt-In Election</p> <p>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 Plan 1 members who opted in was July 1, 2014.</p>	<p>Eligible Members</p> <p>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>Hybrid Opt-In Election</p> <p>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>Eligible Members</p> <p>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"> • Political subdivision employees* • 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. <p>Non-Eligible Members*</p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>If eligible, deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.</p>	<p>If eligible, deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.</p>	<p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions</p> <p>Employees contribute up to 5% of their compensation each month to their member contribution account through a pretax salary reduction. 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.</p>	<p>Retirement Contributions</p> <p>Same as VRS Plan 1.</p>	<p>Retirement Contributions</p> <p>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.</p>
<p>Service Credit</p> <p>Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Service Credit</p> <p>Same as VRS Plan 1.</p>	<p>Service Credit</p> <p><i>Defined Benefit Component:</i> Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		<p><i>Defined Contributions Component:</i> Under the defined contribution component, credible service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting 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>Vesting Same as VRS Plan 1.</p>	<p>Vesting <i>Defined Benefit Component:</i> 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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that 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"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p>
<p>Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.</p>	<p>Calculating the Benefit See definition under VRS Plan 1.</p>	<p>Calculating the Benefit <i>Defined Benefit Component:</i> See definition under VRS Plan 1.</p> <p><i>Defined Contribution Component:</i> 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>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier 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>Service Retirement Multiplier 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>Service Retirement Multiplier <i>Defined Benefit Component:</i> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p>	<p>Sheriffs and regional jail superintendents: Same as VRS Plan 1.</p>	<p>Sheriffs and regional jail superintendents: Not applicable.</p>
<p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Political subdivision hazardous duty employees: Same as VRS Plan 1.</p>	<p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age <i>VRS:</i> Age 65.</p> <p>Political subdivision hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age <i>VRS:</i> Normal Social Security retirement age.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <i>Defined Benefit Component:</i> <i>VRS:</i> Same as Plan 2.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility <i>VRS:</i> Age 65 at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.</p> <p>Political subdivision hazardous duty employees: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.</p>	<p>Earliest Unreduced Retirement Eligibility <i>VRS:</i> Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service credit equal 90.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> <i>VRS:</i> Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age and service credit equal 90.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility <i>VRS:</i> Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.</p> <p>Political subdivision hazardous duty employees: Age 50 with at least five years of service credit.</p>	<p>Earliest Reduced Retirement Eligibility <i>VRS:</i> Age 60 with at least five years (60 months) of service credit.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> <i>VRS:</i> As early as age 60 with at least five years (60 months) of service credit.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement 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><i>Eligibility:</i> 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><i>Exceptions to COLA Effective Dates:</i> 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"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • 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. • The member dies in service and the member's survivor or beneficiary is eligible for a 	<p>Cost-of-Living Adjustment (COLA) in Retirement 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><i>Eligibility:</i> Same as VRS Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as VRS Plan 2.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p> <p><i>Eligibility:</i> 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.		
Disability Coverage 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.	Disability Coverage 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.	Disability Coverage 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. 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.
Purchase of Prior Service 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 service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as VRS Plan 1.	Purchase of Prior Service <i>Defined Benefit Component:</i> Same as VRS Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable.

VRS issues a publicly available 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, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number	Component
	Primary Government*	Unit - Schools*
Inactive members or their beneficiaries currently receiving benefits	71	26
Inactive members		
Vested	25	10
Nonvested	28	4
Active elsewhere in VRS	43	5
Total inactive members	96	19
Active members	122	26
Total covered employees	289	71

* 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.

Agent Multiple-Employer Plans

The City's contractually required contribution rate for the year ended June 30, 2020 was 10.41% of covered employee compensation. The rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018. The actuarial rate for the City's plan was 10.41%. 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 \$700,809 and \$671,001 for the years ended June 30, 2020 and 2019, respectively. The Schools' contractually required contribution rate for the year ended June 30, 2020 was 8.29% of covered employee compensation. The rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2018. 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 \$41,157 and \$45,082 for the years ended June 30, 2020 and 2019, respectively.

15. Retirement Plan (*Continued*)

C. Contributions (*Continued*)

Teachers' Cost-Sharing Plan

The Schools' contractually required contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of the June 30, 2018. The actuarially determined rate for the VRS Teachers' Pool was 15.68%. 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 100% of the actuarial rate for the year ended June 30, 2018.

Contributions to the pension plan from the Schools were \$1,865,885 and \$2,060,506 for the years ended June 30, 2020 and 2019, respectively.

D. Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with U.S. GAAP, less that employer's fiduciary net position.

Agent Multiple-Employer Plans

The City and Schools' net pension liability, measured as of June 30, 2019, was \$2,980,082 and \$247,063, respectively, as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Teachers' Cost-Sharing Plan

At June 30, 2020, the Schools reported a liability of \$18,657,738 for its proportionate share of the State-wide plan's net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Schools' proportion was 0.14177% as compared to 0.14390% at June 30, 2018.

15. Retirement Plan (Continued)

E. Actuarial Assumptions

The total pension liability for the plans were based on an actuarial valuations as of June 30, 2018, 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, 2019.

	General Employees	Public Safety	Teacher Plan
Assumptions used in calculations:			
Investment rate of return*	6.75%	6.75%	6.75%
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
Mortality tables:			
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 75 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.
Changes of assumptions:			
The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:	- 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 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 18%. Decreased discount rate from 7.00% to 6.75%.	Updated to a more current mortality table – RP-2014 projected to 2020. Increased age 50 rates, and lowered rates at older ages. Adjusted 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%. Decreased discount rate from 7.00% to 6.75%.	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. Decreased discount rate from 7.00% to 6.75%.

* 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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:

Assets Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
		Long-term Expected Rate of Return	Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
			Inflation
* Expected arithmetic nominal return			2.50%
			7.63%

- * The above allocation provides a one-year return of 7.63%. 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 VRS, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

15. **Retirement Plan (Continued)**

G. Discount Rate

Agent Multiple-Employer Plans

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that VRS member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Teachers' Cost-Sharing Plan

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Schools' 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 ended June 30, 2019, the rate contributed by the Schools for the VRS Teachers' Pool was subject to the portion of the VRS Board-certified rates that was funded by the Virginia General Assembly. From July 1, 2019 on, the Schools is assumed to contribute 100% of the actuarially determined contribution rates from the June 30, 2017 actuarial valuation. 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 (Continued)

The following tables represent the changes in net pension liability through the plan's measurement date of June 30, 2019 for the City and Schools, respectively.

City Pension Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance, July 1, 2018	\$ 32,741,427	\$ 30,992,512	\$ 1,748,915
Changes for the year			
Service cost	791,275	-	791,275
Interest	2,230,741	-	2,230,741
Changes of assumptions	1,002,882	-	1,002,882
Difference between expected and actual experience	184,088	-	184,088
Contributions - employer	-	649,728	(649,728)
Contributions - employee	-	312,348	(312,348)
Net investment income	-	2,037,562	(2,037,562)
Benefit payments, including refunds of employee contributions	(1,747,386)	(1,747,386)	-
Administrative expense	-	(20,533)	20,533
Other changes	-	(1,286)	1,286
Net changes	2,461,600	1,230,433	1,231,167
Balance, June 30, 2019	\$ 35,203,027	\$ 32,222,945	\$ 2,980,082

Schools' Pension Plan (excluded Teacher Cost-Sharing Plan)	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance, July 1, 2018	\$ 2,318,204	\$ 2,126,471	\$ 191,733
Changes for the year			
Service cost	47,094	-	47,094
Interest	156,768	-	156,768
Changes of assumptions	57,383	-	57,383
Difference between expected and actual experience	(5,930)	-	(5,930)
Contributions - employer	-	39,277	(39,277)
Contributions - employee	-	24,035	(24,035)
Net investment income	-	138,194	(138,194)
Benefit payments, including refunds of employee contributions	(157,314)	(157,314)	-
Administrative expense	-	(1,434)	1,434
Other changes	-	(87)	87
Net changes	98,001	42,671	55,330
Balance, June 30, 2019	\$ 2,416,205	\$ 2,169,142	\$ 247,063

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 Teachers' 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.

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
City's calculated net pension liability	\$ 7,492,880	\$ 2,890,082	\$ (624,684)
Schools' calculated net pension liability	\$ 494,857	\$ 247,063	\$ 47,388
Teacher Employee Plan's calculated net pension liability	\$ 28,088,001	\$ 18,657,738	\$ 10,860,657

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

Pension expense recognized for the year ended June 30, 2020, and the reported deferred inflows and outflows of resources related to pensions at June 30, 2020, were as follows:

	Primary Government		Component Unit - Schools		
	Governmental Activities	Business-type Activities	Agent Multiple Plan	Teacher Cost-Sharing Plan	
Pension expense	\$ 747,783	\$ 28,570	\$ 30,832	\$ (5,875)	
Deferred Inflows					
Change of assumptions	\$ (64,534)	\$ (2,466)	\$ -	\$ -	
Net difference between projected and actual earnings on pension plan investments	(273,549)	(10,451)	(17,725)	(409,680)	
Difference between expected and actual experience	(96,312)	(3,725)	(11,291)	(1,194,733)	
Deferred change in proportionate share of contributions	-	-	-	(487,978)	
Total Deferred Inflows	\$ (434,395)	\$ (16,642)	\$ (29,016)	\$ (2,092,391)	
Deferred Outflows					
Change of assumptions	\$ 691,551	\$ 26,421	\$ 31,879	\$ 1,847,553	
Deferred change in proportionate share of contributions	-	-	-	52,666	
Difference between expected and actual experience	261,990	10,117	-	-	
Employer contributions subsequent to the measurement date	674,646	26,163	41,157	1,865,885	
Total Deferred Outflows	\$ 1,628,187	\$ 62,701	\$ 73,036	\$ 3,766,104	

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 but before the end of the employer's reporting period will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported in the deferred (inflows) outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Governmental		Business-type		Component Unit - Schools		
	Activities		Activities		Agent Multiple Plan	Teacher Cost- Sharing Plan	
2021	\$ 228,451		\$ 8,728		\$ 15,392	\$ (135,080)	
2022	107,546		4,109		(13,841)	(470,391)	
2023	163,119		6,232		(152)	60,548	
2024	20,030		827		1,464	226,112	
2025	-		-		-	126,639	
	\$ 519,146		\$ 19,896		\$ 2,863	\$ (192,172)	

K. Payables to the Pension Plan

At June 30, 2020, the City and Schools reported payables of \$91,673 and \$-0-, respectively, for the outstanding amount of contributions to the pension.

16. Other Postemployment Benefits – VRS Programs

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

VRS issues a publicly available 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, 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. Specific information for the OPEB plans will be presented after this section.

Actuarial Assumptions

The total GLI and HIC OPEB liabilities were based on an actuarial valuation as of June 30, 2018, 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, 2019.

16. Other Postemployment Benefits – VRS Programs (Continued)

	General Employees	Public Safety	Teacher Plan
Assumptions used in calculations:			
Investment rate of return*	6.75%	6.75%	6.75%
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
Mortality tables:			
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.
Changes of assumptions:			
The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:	Updated to a more current mortality table – RP-2014 projected to 2020.	Updated to a more current mortality table – RP-2014 projected to 2020.	Updated to a more current mortality table – RP-2014 projected to 2020.
	Lowered retirement rates at older ages and extended final retirement from 70 to 75.	Increased age 50 retirement rates and lowered rates at older ages.	Lowered retirement rates at older ages and changed final retirement from 70 to 75.
	Adjusted termination rates to better fit experience at each age and service year.	Adjusted termination rates to better fit experience at each age and service year.	Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service.
	Lowered disability rates.	Adjusted disability rates to better match experience.	Adjusted disability rates to better match experience.
	No change to salary scale.	No change to salary scale.	No change to salary scale.
	Increased Line of Duty Disability rate from 14% to 15%.	Decreased Line of Duty Disability rate from 60% to 45%.	
	Discount rate decreased from 7.00% to 6.75%.	Discount rate decreased from 7.00% to 6.75%.	Discount rate decreased from 7.00% to 6.75%.

- * 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 assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of the OPEB liabilities.

16. Other Postemployment Benefits – 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 VRS'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:

Assets Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	100.00%		5.13%
			Inflation
			2.50%
* Expected arithmetic nominal return			7.63%

* The above allocation provides a one-year return of 7.63%. 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 VRS, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Virginia Retirement System – Group Life Insurance

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 OEBB 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 – VRS Programs (Continued)

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

GLI PLAN PROVISIONS	
Eligible Employees 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">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board	
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.	
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. <ul style="list-style-type: none">• <i>Natural Death Benefit</i>: The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.• <i>Accidental Death Benefit</i>: The accidental death benefit is double the natural death benefit.• <i>Other Benefit Provisions</i>: 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">◦ Accidental dismemberment benefit◦ Safety belt benefit◦ Repatriation benefit◦ Felonious assault benefit◦ Accelerated death benefit option	
Reduction in Benefit Amounts 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.	
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.	

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

B. Contributions

The contribution requirements for the Group Life Insurance Program 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 Group Life Insurance Program 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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$35,077 and \$33,243 for the years ended June 30, 2020 and 2019, respectively. Contributions to the GLI from the Schools for the general employee's plan were \$2,983 and \$2,798 for the years ended June 30, 2020 and 2019, respectively. Contributions to the GLI from the Schools for the teacher's cost-sharing plan were \$63,370 and \$61,389 for the years ended June 30, 2020 and 2019, respectively.

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

Political Subdivision Plans

At June 30, 2020, the City and Schools reported a liability of \$530,652 and \$44,588, respectively, for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the City's proportion was 0.03261% as compared to 0.03274% at June 30, 2018. At June 30, 2019, the Schools' proportion was 0.00274% as compared to 0.00277% at June 30, 2018.

Teachers' Cost-Sharing Plan

At June 30, 2020, the Schools reported a liability of \$979,940 for its proportionate share of the net GLI OPEB liability. The net GLI OPEB liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2019, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Schools' proportion was 0.06022% as compared to 0.06075% at June 30, 2018.

16. Other Postemployment Benefits – VRS Programs (Continued)

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

For the year ended June 30, 2020, the City recognized GLI OPEB expense of \$14,100. For the year ended June 30, 2020, the Schools recognized GLI OPEB expense of \$957 and \$17,947 relating to the general employee's and teachers' cost-sharing plans, 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, 2020, 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		Schools	
	Governmental Activities	Business-type Activities	Political Subdivision Plan	Teacher Cost - Sharing Plan
Deferred Inflows				
Net difference between projected and actual earnings on OPEB plan investments	\$ (10,576)	\$ (424)	\$ (578)	\$ (12,711)
Difference between expected and actual experience	(6,730)	(270)	(916)	(20,129)
Deferred change in proportionate share of contributions	(3,846)	(154)	(401)	(24,981)
Change of assumptions	(15,384)	(616)	(1,344)	(29,549)
Total Deferred Inflows	\$ (36,536)	\$ (1,464)	\$ (3,239)	\$ (87,370)
Deferred Outflows				
Difference between expected and actual experience	\$ 33,653	\$ 1,347	\$ 2,965	\$ 65,172
Deferred change in proportionate share of contributions	8,654	346	-	2,326
Change of assumptions	32,690	1,310	2,815	61,868
Employer contributions subsequent to the measurement date	33,726	1,351	2,983	63,370
Total Deferred Outflows	\$ 108,723	\$ 4,354	\$ 8,763	\$ 192,736

16. Other Postemployment Benefits – VRS Programs (Continued)

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

\$35,077 and \$66,353 reported as deferred outflows of resources related to the GLI OPEB resulting from the City's and Schools' contributions subsequent to the measurement date, respectively, will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2021. 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				
	Governmental Activities		Business-type Activities		Political Subdivision
			Plan	Teacher Cost - Sharing Plan	
2021	\$ 3,572	\$ 143	\$ 85	\$ (1,231)	
2022	3,572	143	85	(1,231)	
2023	8,011	321	473	7,295	
2024	10,634	426	827	14,705	
2025	9,984	400	842	17,281	
Thereafter	2,688	106	229	5,177	
Total	<u>\$ 38,461</u>	<u>\$ 1,539</u>	<u>\$ 2,541</u>	<u>\$ 41,996</u>	

D. Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with U.S. GAAP, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	1,762,972
Employer's Net GLI OPEB Liability	<u>\$ 1,627,266</u>

Plan Fiduciary Net Position as a Percentage of the
Total GLI OPEB Liability 52.00%

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 the requirements of U.S. GAAP in VRS's notes to the financial statements and required supplementary information.

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

E. Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended 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 which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue 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 Schools' proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
City's GLI OPEB Liability	\$ 697,129	\$ 530,652	\$ 395,643
Schools' GLI OPEB Liability	\$ 58,576	\$ 44,588	\$ 33,244
Teacher Employee Plan's GLI OPEB Liability	\$ 1,287,369	\$ 979,940	\$ 730,623

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 – 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>Eligible Employees</p> <p>The Political Subdivision Retiree Health Insurance Credit Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and 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"> • Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. 	<p>Eligible Employees</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"> • Full-time permanent (professional) salaried employees of public school divisions covered under VRS.
<p>Benefit Amounts</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"> • <i>At Retirement</i>: 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. • <i>Disability Retirement</i>: 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. 	<p>Benefit Amounts</p> <p>The Teacher Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"> • <i>At Retirement</i>: For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. • <i>Disability Retirement</i>: 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"> ○ \$4.00 per month, multiplied by twice the amount of service credit, or ○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.
<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • 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. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree. 	<p>Health Insurance Credit Program Notes:</p> <ul style="list-style-type: none"> • The monthly Health Insurance Credit benefit cannot exceed the individual premium amount. • Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

16. Other Postemployment Benefits – 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. The City and Schools' contractually required employer contribution rate for the year ended June 30, 2020 was 0.27% and 0.87%, respectively, 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, 2017. 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 \$16,884 and \$16,003 for the years ended June 30, 2020 and 2019, respectively. Contributions from the Schools to the Political Subdivision HIC for non-professional employees were \$4,992 and \$4,681 for the years ended June 30, 2020 and 2019, 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. The Schools' contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% 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, 2017. 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 \$146,238 and \$141,666 for the years ended June 30, 2020 and 2019, respectively.

C. Net HIC OPEB Liabilities

Political Subdivision Plan

At June 30, 2019, the City and Schools reported a liability of \$158,427 and \$59,551, 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, 2019 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 Schools' actuarially determined employer contributions to the Political Subdivision OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the City's proportion of the Political Subdivision net OPEB liability was 0.83048% as compared to 0.75435% at June 30, 2018. At June 30, 2019, the Schools' proportion of the Political Subdivision net OPEB liability was 0.31217% as compared to 0.33949% at June 30, 2018.

16. Other Postemployment Benefits – VRS Programs (Continued)

C. Net HIC OPEB Liabilities (Continued)

Teachers' Cost-Sharing Plan

At June 30, 2020, the Schools reported a liability of \$1,842,554 for its proportionate share of the VRS Teacher HIC net OPEB liability. The net Teacher Employee Health Insurance Credit Program OPEB liability was measured as of June 30, 2019 and the total Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the net Teacher Employee Health Insurance Credit Program OPEB liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The Schools' proportion of the net Teacher Employee HIC OPEB liability was based on the Schools' actuarially determined employer contributions to the Teacher Employee HIC OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the Schools' proportion of the Teacher HIC net OPEB liability was 0.14075% as compared to 0.14285% at June 30, 2018.

For the year ended June 30, 2020, the City recognized GLI OPEB expense of \$16,469. For the year ended June 30, 2020, the Schools recognized GLI OPEB expense of \$5,021 and \$143,586 relating to the general employee's and teachers' cost-sharing plans, respectively. Since there was a change in proportionate share and a change of assumptions between measurement dates a portion of the Teacher Employee HIC net OPEB expense was related to deferred amounts from changes in proportion and assumptions.

At June 30, 2020, the City and Schools reported deferred inflows of resources and deferred outflows of resources related to the Teacher Employee HIC OPEB from the following sources:

	Component Unit - Schools			
	Primary Government		Political Subdivision Plan	
	Governmental Activities	Business-type Activities	Political Subdivision Plan	Teacher Cost - Sharing Plan
Deferred Inflows				
Net difference between projected and actual earnings on OPEB plan investments	\$ (1,649)	\$ (73)	\$ (133)	\$ -
Difference between expected and actual experience	(1,420)	(62)	(1,174)	(10,437)
Change of assumptions	(5,821)	(255)	-	(12,803)
Deferred change in proportionate share of contributions	-	-	-	(48,025)
Total Deferred Inflows	\$ (8,890)	\$ (390)	\$ (1,307)	\$ (71,265)
Deferred Outflows				
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ -	\$ -	\$ 116
Difference between expected and actual experience	16,031	697	305	-
Change of assumptions	5,909	257	973	42,885
Employer contributions subsequent to the measurement date	16,180	704	4,992	146,238
Total Deferred Outflows	\$ 38,120	\$ 1,658	\$ 6,270	\$ 189,239

16. Other Postemployment Benefits – VRS Programs (Continued)

C. Net HIC OPEB Liabilities (Continued)

\$16,884 and \$151,230 reported as deferred outflows of resources related to the City HIC and Schools HIC 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the City and Schools HIC OPEB expense in future reporting periods as follows:

Years Ending June 30,	Business-type Activities		Component Unit - Schools	
	Governmental Activities	Business-type Activities	Political Subdivision Plan	Teacher Cost - Sharing Plan
2021	\$ 1,258	\$ 55	\$ 9	\$ (6,312)
2022		1,260 55	(25)	(6,314)
2023		2,362 103	(34)	(5,507)
2024		3,169 138	21	(5,777)
2025		3,993 174	-	(4,954)
Thereafter		1,008 39	-	600
Total	\$ 13,050	\$ 564	\$ (29)	\$ (28,264)

HIC Program OPEB Liability

The NOL for the Political Subdivision and Teacher Employee HIC represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the Political Subdivision and Teacher Employee HIC are as follows (amounts expressed in thousands):

	Political Subdivision HIC OPEB Program	Teacher Employee HIC OPEB Program
Total HIC OPEB Liability	\$ 42,677	\$ 1,438,113
Plan Fiduciary Net Position	24,468	129,015
Employer's Net HIC OPEB Liability	\$ 18,209	\$ 1,309,098

Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	57.33%	8.97%
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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 GASB Statement No. 74 in VRS's notes to the financial statements and required supplementary information.

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

D. Discount Rate

The discount rate used to measure the total Political Subdivision and Teacher Employee HIC OPEB was 6.75%. 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 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 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, which was 100% of the actuarially determined contribution rate. 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.

E. 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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
City's HIC calculated OPEB Liability	\$ 190,916	\$ 158,427	\$ 130,692
Schools' HIC calculated OPEB Liability	\$ 65,342	\$ 59,551	\$ 54,504
Teachers' HIC calculated OPEB liability	\$ 2,062,132	\$ 1,842,554	\$ 1,656,024

17. Other Postemployment Benefits – 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 five years) equal to 70. For the Schools, no assets are accumulated in a trust that meets U.S. GAAP criteria.

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

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

B. Plan Membership

At June 30, 2020, the following employees were covered by the benefit terms:

	Primary Government	Component Unit - Schools
Total active employees with coverage	128	272
Total retirees receiving benefit payments	20	7
	148	279

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 School division, retire with at least five years of service, retire after having attained at least age 50, and retire having a combination of age and service equal to 70. At June 30, 2020, seven 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% to 100% of the premiums based on the retiree's years of continuous healthcare coverage and the healthcare option selected by the retirees. The required employer contributions are financed based on a pay-as-you-go basis. In addition to ensuring current benefits are financed by current contributions, the City provides for funding to be made to the Virginia Pooled OPEB Trust as described in Note 2. The actuarially determined contribution for the City at June 30, 2020 was \$101,068.

E. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2020, 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, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

17. Other Postemployment Benefits – Local Plans (Continued)

F. Actuarial Methods and Assumptions

The total OPEB liability as of June 30, 2020 from the June 30, 2020 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
Assumptions used in calculations:			
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:	4.70%	4.70%	4.70%
Mortality tables:			
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.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study on behalf of the VRS for the four-year period ended June 30, 2016.

G. Discount Rate

The discount rate used to measure the total OPEB liability was 2.30% 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, 2020. The basis used to set the discount rate assumed that contributions from the City will be made at rates equal to the contractually required contribution rates. Based on those assumptions, the OPEB Trust Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current members.

17. **Other Postemployment Benefits – 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, 2019	\$ 2,020,557	\$ 188,068	\$ 1,832,489
Changes for the year:			
Service cost	70,219	-	70,219
Interest	76,258	-	76,258
Difference between expected and actual experience	92,560	-	92,560
Change in assumptions	222,372	-	222,372
Contributions - employer	-	101,068	(101,068)
Contributions - employee	-	93,755	(93,755)
Net investment income	-	10,214	(10,214)
Benefit payments	(152,593)	(179,823)	27,230
Net changes	308,816	25,214	283,602
Balance, June 30, 2020	\$ 2,329,373	\$ 213,282	\$ 2,116,091
School OPEB Plan	Increase (Decrease)		
	Total OPEB Liability		
Balance, July 1, 2019	\$ 203,137		
Changes for the year:			
Service cost	12,225		
Interest	7,794		
Difference between expected and actual experience	4,477		
Change in assumptions	887		
Benefit payments	(20,598)		
Net changes	4,785		
Balance, June 30, 2020	\$ 207,922		

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 (1.30%) or 1-percentage-point higher (3.30%) than the current discount rate:

	Change in Discount Return		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	(1.30%)	(2.30%)	(3.30%)
City's Net OPEB Liability	\$ 1,904,678	\$ 2,116,091	\$ 2,353,625
Schools' Total OPEB Liability	\$ 193,143	\$ 207,922	\$ 221,993

17. Other Postemployment Benefits – Local Plans (Concluded)

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 (4.70% decreasing to 3.70%) or 1-percentage-point higher (4.70% increasing to 5.70%) than the current healthcare cost trend rates:

	Change in Health Care Cost Trend		
	1.00% Decrease (3.70%)	Current Discount Rate (4.70%)	1.00% Increase (5.70%)
	\$ 1,859,265	\$ 2,116,091	\$ 2,420,975
City's Net OPEB Liability			
Schools' Total OPEB Liability	\$ 185,811	\$ 207,922	\$ 234,177

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

For the year ended June 30, 2020, the City and Schools recognized OPEB expense of \$67,907 and \$26,024, respectively. At June 30, 2020, the City and Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Component		
	Primary Government		Unit - Schools
	Governmental Activities	Business-type Activities	Single Employer Plan
Deferred Inflows			
Change of assumptions	\$ (138,547)	\$ (5,175)	\$ (35,688)
Total Deferred Inflows	\$ (138,547)	\$ (5,175)	\$ (35,688)
Deferred Outflows			
Net difference between projected and actual earnings on OPEB plan investments	\$ 5,553	\$ 207	\$ -
Change of assumptions	183,254	6,843	771
Difference between expected and actual experience	393,737	14,705	180,350
Total Deferred Outflows	\$ 582,544	\$ 21,755	\$ 181,121

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		
	Governmental Activities	Business-type Activities	Unit - Schools
2021	\$ 101,855	\$ 3,804	\$ 26,603
2022	101,853	3,804	26,603
2023	101,843	3,803	26,603
2024	54,933	2,051	26,603
2025	44,300	1,654	23,438
Thereafter	39,213	1,464	15,583
Total	\$ 443,997	\$ 16,580	\$ 145,433

18. Subsequent Events

On July 2, 2020, the City issued \$1,385,000 General Obligation Refunding Bonds, Series 2020A and \$1,434,000 General Obligation Refunding Bonds, Series 2020B with interest rate at 1.69% and 1.33%, respectively. The proceeds of the Series 2020A and 2020B Bonds were used to advance refund portions of the City's Series 2012 General Obligation Bonds and remaining principle of the 2013 General Obligation Bonds. Interest on the Bonds are due and payable semi-annually on each February 15 and August 15.

* * * * *

Required Supplementary Information (Unaudited)

Budgetary Comparison Schedule - General Fund (Unaudited - Budget Basis)**Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
				Positive (Negative)
Revenues and other financing sources				
Revenue from local sources				
General property taxes				
Real property taxes	\$18,340,000	\$18,340,000	\$18,373,728	\$33,728
Public service corporation property taxes	267,000	267,000	222,248	(44,752)
Personal property	2,825,772	2,825,772	2,870,319	44,547
Penalties and interest	143,000	143,000	127,715	(15,285)
Total general property taxes	21,575,772	21,575,772	21,594,010	18,238
Other local taxes				
Sales and use taxes	1,097,370	1,097,370	1,111,720	14,350
Meals taxes	755,000	755,000	671,363	(83,637)
Cigarette taxes	100,000	100,000	68,325	(31,675)
Consumers' utility taxes	305,000	305,000	308,072	3,072
Consumption tax	40,000	40,000	38,706	(1,294)
Business license taxes	435,000	435,000	440,070	5,070
Bank stock taxes	45,000	45,000	6,066	(38,934)
Recordation and wills taxes	200,000	200,000	218,461	18,461
Deeds of conveyance	40,000	40,000	41,156	1,156
Total other local taxes	3,017,370	3,017,370	2,903,939	(113,431)
Permits, privilege fees and regulatory licenses				
Animal license	1,000	1,000	1,381	381
Permits and other licenses	137,200	137,200	105,086	(32,114)
Total permits, privilege fees, and regulatory licenses	138,200	138,200	106,467	(31,733)
Fines and forfeitures				
	42,000	42,000	30,661	(11,339)
Revenue from use of money and property				
Revenue from use of money	132,000	132,000	120,150	(11,850)
Revenue from use of property	191,300	191,300	202,111	10,811
Total revenue from use of money and property	323,300	323,300	322,261	(1,039)

(Continued)

Budgetary Comparison Schedule - General Fund (Unaudited - Budget Basis)**Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
				Positive (Negative)
Revenues and other financing sources (Continued)				
Charges for services				
Charges for copying	6,000	6,000	4,903	(1,097)
Charges for passport processing	52,000	52,000	35,822	(16,178)
Charges for library and fees	16,600	16,600	12,170	(4,430)
EMS revenue recovery	360,000	360,000	289,997	(70,003)
Charges for Parks & Recreation Programs	131,600	134,174	82,108	(52,066)
Charges for Pool	61,300	61,300	23,811	(37,489)
Charges for Events	143,030	143,030	152,029	8,999
Total charges for services	770,530	773,104	600,840	(172,264)
Miscellaneous revenues				
Miscellaneous	-	-	13,222	13,222
Miscellaneous grants	-	4,000	4,000	-
Donations-Library	-	9,727	10,027	300
Donations-Police	-	3,380	3,380	-
Donations-Facilities/Other	-	1,212	1,212	-
Total miscellaneous revenues	-	18,319	31,841	13,522
Intergovernmental				
Revenues from the Commonwealth				
Noncategorical aid				
DMV reimbursement	124,000	124,000	109,337	(14,663)
Mobile home titling taxes	12,000	12,000	14,139	2,139
Rolling stock tax	-	-	90	90
Personal property tax relief	1,923,435	1,923,435	1,923,435	-
Total noncategorical aid	2,059,435	2,059,435	2,047,001	(12,434)
Categorical aid				
Shared expenses				
Commissioner of the Revenue	98,830	98,830	101,639	2,809
Treasurer	101,598	101,598	104,978	3,380
Registrar/electoral board	35,000	35,000	47,456	12,456
Total categorical aid	235,428	235,428	254,073	18,645

(Continued)

Budgetary Comparison Schedule - General Fund (Unaudited - Budget Basis)**Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
				Positive (Negative)
Revenues and other financing sources (Continued)				
Other categorical aid				
State 599 police funds	249,610	249,610	259,356	9,746
Fire and EMS	-	44,252	57,477	13,225
Department of Emergency Services	-	25,546	25,546	-
Library	152,887	157,508	152,887	(4,621)
Comprehensive Services Act	252,000	444,600	265,764	(178,836)
State drug seizure	-	669	669	-
Other state grants	82,343	82,343	68,141	(14,202)
Total other categorical aid	1,616,840	1,889,411	1,714,723	(174,688)
Total categorical aid	1,852,268	2,124,839	1,968,796	(156,043)
Total revenues from the Commonwealth	3,911,703	4,184,274	4,015,797	(168,477)
Revenues from the federal government				
Federal Grants	2,300	1,226,800	568,782	(658,018)
Miscellaneous	825	825	835	10
Total revenues from the federal government	3,125	1,227,625	569,617	(658,008)
Other financing sources				
Transfer from sewer fund	150,000	150,000	150,000	-
Transfer from sewer fund	50,000	50,000	50,000	-
Transfer from unappropriated fund	-	519,243	-	(519,243)
Total other financing sources	200,000	719,243	200,000	(519,243)
Total revenues and other financing sources	29,982,000	32,019,207	30,375,433	(1,643,774)

(Continued)

Budgetary Comparison Schedule - General Fund (Unaudited - Budget Basis)**Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Expenditures and other financing uses				
General government administration				
Legislative - City Council	\$66,906	\$66,906	\$72,881	(5,975)
General and financial administration				
City Manager	474,282	474,282	460,230	14,052
Legal services	119,305	119,305	112,512	6,793
Independent auditor	48,000	48,000	43,040	4,960
Commissioner of the Revenue	328,649	328,649	315,632	13,017
Assessor/equalization board	219,156	219,156	212,232	6,924
Treasurer	329,974	329,974	322,418	7,556
Finance	462,897	462,897	454,978	7,919
Technology	105,860	105,860	96,857	9,003
Risk management	156,636	156,636	130,386	26,250
Total general and financial administration	2,244,759	2,244,759	2,148,285	96,474
Board of Elections - Electoral Board and Registrar	178,338	200,338	187,619	12,719
Total general government administration	2,490,003	2,512,003	2,408,785	103,218
Judicial Administration				
Courts	270,741	270,741	267,685	3,056
Sheriff	233,702	233,702	233,702	-
Total judicial administration	504,443	504,443	501,387	3,056
Public Safety				
Law enforcement and traffic control - police department	3,055,501	3,080,953	3,032,846	48,107
Fire and rescue services - fire department	3,380,671	3,672,135	3,471,086	201,049
Correction and detention - regional operated institutions	300,498	300,498	287,183	13,315
Inspections - various	273,016	273,016	252,001	21,015
Other protection - animal control	84,770	84,488	84,489	(1)
Total public safety	7,094,456	7,411,090	7,127,605	283,485

(Continued)

Budgetary Comparison Schedule - General Fund (Unaudited - Budget Basis)**Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Expenditures and other financing uses (Continued)				
Public works				
Maintenance of highways, streets, bridges, and sidewalks				
General engineering/administration	221,756	221,756	195,015	26,741
Highways, streets, bridges, and sidewalks	1,588,058	1,589,270	1,464,861	124,409
Street lights	86,000	104,000	89,957	14,043
Total maintenance of highways, streets, bridges, and sidewalks	1,895,814	1,915,026	1,749,833	165,193
Maintenance of general buildings and grounds				
Total public works	186,074	186,074	133,928	52,146
Health and welfare				
Health				
Local health department	40,595	40,595	40,293	302
Mosquito control	302,766	302,766	232,464	70,302
Total health	343,361	343,361	272,757	70,604
Mental health and mental retardation - mental health				
Welfare				
Social Services	310,280	310,280	291,511	18,769
Children Services Act	350,000	542,600	352,855	189,745
Total welfare	660,280	852,880	644,366	208,514
Total health and welfare	1,274,286	1,453,886	1,174,768	279,118
Education - Schools				
Total education	10,146,687	10,172,036	10,077,056	94,980
Parks, recreation, and cultural				
Supervision of parks and recreation	483,099	485,673	437,096	48,577
Pool operations	139,620	139,620	118,232	21,388
Seafood Festival events	234,494	234,904	214,198	20,706
Library - administration	915,003	950,057	880,889	69,168
Total parks, recreation, and cultural	1,772,216	1,810,254	1,650,415	159,839
Community development				
Planning	352,079	352,079	349,134	2,945
Economic development	105,462	105,462	87,499	17,963
Community development	134,570	139,453	134,933	4,520
Total community development	592,111	596,994	571,566	25,428
Nondepartmental				
Nondepartmental - miscellaneous	24,030	1,099,814	66,092	1,033,722
Department of Motor Vehicles Select	134,225	134,225	132,457	1,768
Total nondepartmental	158,255	1,234,039	198,549	1,035,490
Economic Development Authority				
Total Economic Development Authority	17,053	17,053	17,053	-

(Continued)

Budgetary Comparison Schedule - General Fund (Unaudited - Budget Basis)**Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
				Positive (Negative)
Other Financing Uses				
Transfers to Debt Service Fund	3,795,082	3,795,082	3,795,082	-
Transfers to Capital Projects Fund	55,520	263,506	263,506	-
Transfers to Grants Fund	-	13,094	13,094	-
Transfers to Fiscal Stability Reserve	-	134,627	-	134,627
Total other financing uses	3,850,602	4,206,309	4,071,682	134,627
Total expenditures and other financing uses	29,982,000	32,019,207	29,682,627	2,336,580
Excess of revenues and other financing sources over expenditures and other financing uses - budgetary basis	\$ -	\$ -	\$ 692,806	\$ 692,806
Less encumbrances beginning of year, actually expended as of end of year			(103,269)	
Add encumbrances outstanding end of year				94,852
The Grant Fund is consolidated into the General Fund for reporting purposes:				
Revenues				
Local matching funds			34,211	
Federal grant			140,909	
Transfers in			13,094	
Total Revenues			188,214	
Expenditures				
Community Development expenditures			186,928	
Excess of revenues and other financing sources over expenditures and other financing uses, U.S. GAAP basis			685,675	
Fund balances, June 30, 2019			8,515,605	
Fund balances, June 30, 2020			\$ 9,201,280	

(Concluded)

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

Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
Schedule of Changes in Net Pension Liability and Related Ratios						
Total Pension Liability						
Service cost	\$ 791,275	\$ 818,997	\$ 724,837	\$ 713,981	\$ 668,757	\$ 699,997
Interest	2,230,741	2,124,606	2,087,510	1,999,442	1,940,826	1,830,447
Change in assumptions	1,002,882	-	(350,459)	-	-	-
Difference between expected and actual experience	184,088	299,978	(525,567)	(413,719)	(806,075)	-
Benefit payments, including refunds of member contributions	(1,747,386)	(1,707,349)	(1,105,403)	(977,768)	(954,501)	(952,710)
Net change in total pension liability	2,461,600	1,536,232	830,918	1,321,936	849,007	1,577,734
Plan total pension liability, beginning	32,741,427	31,205,195	30,374,277	29,052,341	28,203,334	26,625,600
Plan total pension liability, ending	\$ 35,203,027	\$ 32,741,427	\$ 31,205,195	\$ 30,374,277	\$ 29,052,341	\$ 28,203,334
Plan Fiduciary Net Pension						
Contributions - employer	\$ 649,728	\$ 534,293	\$ 527,937	\$ 750,690	\$ 585,103	\$ 506,435
Contributions - employee	312,348	305,122	319,696	285,757	282,529	274,820
Net investment income	2,037,562	2,181,520	3,261,440	466,018	1,157,070	3,453,469
Benefit payments, including refunds of member contributions	(1,747,386)	(1,707,349)	(1,105,403)	(977,768)	(954,501)	(952,710)
Administrative expense	(20,533)	(19,140)	(18,731)	(16,118)	(15,704)	(18,572)
Other changes	(1,286)	(1,924)	(2,903)	(196)	(243)	199
Net change in plan fiduciary net position	1,230,433	1,292,522	2,982,036	508,383	1,054,254	3,263,641
Plan fiduciary net position, beginning	30,992,512	29,699,990	26,717,954	26,209,571	25,155,317	21,891,693
Plan fiduciary net position, ending	\$ 32,222,945	\$ 30,992,512	\$ 29,699,990	\$ 26,717,954	\$ 26,209,571	\$ 25,155,334
Plan net pension liability, ending	\$ 2,980,082	\$ 1,748,915	\$ 1,505,205	\$ 3,656,323	\$ 2,842,770	\$ 3,048,000
Plan fiduciary net position as a percentage of the total pension liability	91.53%	94.66%	95.18%	87.96%	90.22%	89.19%
Covered payroll	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974	\$ 5,499,693
Plan net position liability as a percentage of covered payroll	46.64%	28.18%	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 U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

Schedule of Employer Contributions

Contractually required contribution	\$ 701,572	\$ 665,127	\$ 545,751	\$ 527,937	\$ 720,636	\$ 619,948
Contribution in relation to contractually required contribution	700,809	671,001	606,319	594,684	747,041	725,460
Contribution (deficiency)	\$ 763	\$ (5,874)	\$ (60,568)	\$ (66,747)	\$ (26,405)	\$ (105,512)
Covered payroll	\$ 6,739,407	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833	\$ 5,761,310	\$ 5,680,974
Contributions as a percentage of covered payroll	10.40%	10.50%	9.77%	9.77%	12.97%	12.77%

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: U.S. 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, 2020

	2020	2019	2018	2017	2016	2015
Schedule of Changes in Net Pension Liability and Related Ratios						
Total Pension Liability						
Service cost	\$ 47,094	\$ 52,308	\$ 54,653	\$ 59,525	\$ 55,952	\$ 62,503
Interest	156,768	156,761	160,141	152,141	147,547	143,652
Change in assumptions	57,383	-	11,087	-	-	-
Difference between expected and actual experience	(5,930)	(52,431)	(127,994)	51,061	20,244	-
Benefit payments, including refunds of member contributions	(157,314)	(155,741)	(136,614)	(160,271)	(155,952)	(145,077)
Net change in total pension liability	98,001	897	(38,727)	102,456	67,791	61,078
Plan total pension liability, beginning	2,318,204	2,317,307	2,356,034	2,253,578	2,185,787	2,124,709
Plan total pension liability, ending	\$ 2,416,205	\$ 2,318,204	\$ 2,317,307	\$ 2,356,034	\$ 2,253,578	\$ 2,185,787
Plan Fiduciary Net Pension						
Contributions - employer	\$ 39,277	\$ 51,238	\$ 55,375	\$ 62,751	\$ 64,124	\$ 70,068
Contributions - employee	24,035	24,084	25,660	24,934	25,682	23,877
Net investment income	138,194	149,347	227,250	32,149	86,123	264,482
Benefit payments, including refunds of member contributions	(157,314)	(155,741)	(136,614)	(160,271)	(155,952)	(145,077)
Administrative expense	(1,434)	(1,330)	(1,339)	(1,222)	(1,229)	(1,455)
Other changes	(87)	(132)	(201)	(14)	(16)	(14)
Net change in plan fiduciary net position	42,671	67,466	170,131	(41,673)	18,732	211,881
Plan fiduciary net position, beginning	2,126,471	2,059,005	1,888,874	1,930,547	1,911,815	1,699,906
Plan fiduciary net position, ending	\$ 2,169,142	\$ 2,126,471	\$ 2,059,005	\$ 1,888,874	\$ 1,930,547	\$ 1,911,787
Plan net pension liability, ending	\$ 247,063	\$ 191,733	\$ 258,302	\$ 467,160	\$ 323,031	\$ 274,000
Plan fiduciary net position as a percentage of the total pension liability	89.77%	91.73%	88.85%	80.17%	85.67%	87.46%
Covered payroll	\$ 538,066	\$ 526,973	\$ 552,624	\$ 528,531	\$ 613,843	\$ 508,270
Plan net position liability as a percentage of covered payroll	45.92%	36.38%	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 U.S. GAAP, net pension liabilities are reported using the measurement date, which is one year prior to the reporting date.

Schedule of Employer Contributions

Contractually required contribution	\$ 47,566	\$ 44,606	\$ 55,965	\$ 58,689	\$ 64,375	\$ 74,766
Contribution in relation to contractually required contribution	41,157	45,082	51,375	56,380	64,333	66,869
Contribution excess	\$ (6,409)	\$ 476	\$ (4,590)	\$ (2,309)	\$ (42)	\$ (7,897)
Covered payroll	\$ 573,771	\$ 538,066	\$ 526,973	\$ 552,624	\$ 528,531	\$ 613,843
Contributions as a percentage of covered payroll	7.17%	8.38%	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 U.S. 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: U.S. 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, 2020

	2020	2019	2018	2017	2016	2015
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios						
Employer's Proportion of the net pension liability						
Employer's proportionate share of the net pension liability	0.14770%	0.14390%	0.14631%	0.14548%	0.14682%	0.14753%
Employer's covered payroll	\$ 18,657,738	\$ 16,923,000	\$ 17,993,000	\$ 20,387,000	\$ 18,479,000	\$ 17,829,000
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	11,803,449	11,559,264	11,491,017	11,097,066	10,969,314	10,827,561
Plan fiduciary net position as a percentage of the total pension liability	72.92%	72.92%	72.92%	68.28%	70.68%	70.88%
Schedule of Employer Contributions						
Contractually required contribution	\$ 1,910,852	\$ 1,850,781	\$ 1,886,472	\$ 1,684,583	\$ 1,609,075	\$ 1,590,551
Contribution in relation to contractually required contribution	1,865,885	2,060,506	1,836,367	1,652,204	1,555,410	1,564,756
Contribution excess (deficiency)	<u>\$ (44,967)</u>	<u>\$ 209,725</u>	<u>\$ (50,105)</u>	<u>\$ (32,379)</u>	<u>\$ (53,665)</u>	<u>\$ (25,795)</u>
Covered payroll	\$ 12,186,554	\$ 11,803,449	\$ 11,559,264	\$ 11,491,017	\$ 11,097,066	\$ 10,969,314
Contributions as a percentage of covered payroll	15.31%	17.46%	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 U.S. 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: U.S. 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 Ratios and Employer Contributions (Unaudited) - OPEB Trust - City

Year Ended June 30, 2020

Schedule of Changes in Net OPEB Liability and Related Ratios

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 70,219	\$ 67,825	\$ 77,260
Interest	76,258	74,639	56,357
Change in benefit terms		-	695,727
Change in assumptions	222,372	-	626,795
Difference between expected and actual experience	92,560	11,543	(280,164)
Benefit payments, including refunds of member contributions	(152,593)	(100,431)	(47,037)
Net change in total OPEB liability	308,816	53,576	1,128,938
Plan total OPEB liability, beginning	2,020,557	1,966,981	838,043
Plan total OPEB liability, ending	\$ 2,329,373	\$ 2,020,557	\$ 1,966,981
Plan Fiduciary Net OPEB			
Contributions - employer	\$ 101,068	\$ 167,239	\$ 106,774
Contributions - employee	93,755	83,763	70,306
Net investment income	10,214	547	238
Benefit payments	(179,823)	(148,629)	(92,170)
Net change in plan fiduciary net position	25,214	102,920	85,148
Plan fiduciary net position, beginning	188,068	85,148	-
Plan fiduciary net position, ending	\$ 213,282	\$ 188,068	\$ 85,148
Plan net OPEB liability, ending	\$ 2,116,091	\$ 1,832,489	\$ 1,881,833
Plan fiduciary net position as a percentage of the total OPEB liability	9.16%	9.31%	4.33%
Covered payroll	\$ 7,743,990	\$ 7,562,087	\$ 7,020,980
Plan net position liability as a percentage of covered payroll	27.33%	24.23%	26.80%

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

Schedule of Employer Contributions

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll	
					2020	2019
6/30/2020	\$ 101,068	\$ 101,068	\$ -	\$ 7,743,990	1.31%	
6/30/2019	167,239	167,239	-	7,562,087		2.21%
6/30/2018	106,774	106,774	-	7,020,980		1.52%
Annual money-weighted rate of return				0.44%	0.44%	0.44%

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 was 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 and Related Ratios and Employer Contributions (Unaudited) - Schools

Year Ended June 30, 2020

Schedule of Changes in Net OPEB Liability and Related Ratios

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 12,225	\$ 11,808	\$ 15,200
Interest	7,794	7,657	10,003
Change in assumptions	887	-	134,473
Difference between expected and actual experience	4,477	126,552	(58,566)
Benefit payments, including refunds of member contributions	(20,598)	(143,973)	(180,365)
Net change in total OPEB liability	4,785	2,044	(79,255)
Plan total OPEB liability, beginning	203,137	201,093	280,348
Plan total OPEB liability, ending	\$ 207,922	\$ 203,137	\$ 201,093

Covered payroll	\$ 12,696,749	\$ 12,294,917	\$ 12,005,045
Net OPEB liability as a percentage of covered payroll	1.64%	1.65%	1.68%

Notes to Schedule:

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

Schedule of Contributions

Date	Contributions	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2020	\$ 20,598	\$ 12,696,749	0.16%
6/30/2019	143,973	12,294,917	1.17%
6/30/2018	180,365	12,005,045	1.50%

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:	4.70%

NOTE: Schedule is intended to show information for 10 years. June 30, 2018 was the first year for the change schedule. Information prior to June 30, 201 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 Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - City

Year Ended June 30, 2020

Schedule of Proportionate Share of Net OPEB Liability GLI Program and Related Ratios

	2020	2019	2018
Employer's Proportion of the Net GLI OPEB Liability	0.03261%	0.03274%	0.03300%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 530,652	\$ 497,000	\$ 497,000
Covered Payroll	\$ 6,389,305	\$ 6,205,925	\$ 6,086,833
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.31%	8.01%	8.17%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%	51.22%	48.86%

Notes to Schedule:

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

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

Schedule of Employer Contributions

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2020	\$ 35,045	\$ 35,077	\$ (32)	\$ 6,739,407	0.52%
6/30/2019	33,224	33,243	(19)	6,389,305	0.52%
6/30/2018	32,271	32,368	(97)	6,205,925	0.52%
6/30/2017	31,652	31,652	-	6,086,833	0.52%
6/30/2016	30,535	27,660	2,875	5,761,310	0.48%
6/30/2015	30,109	27,243	2,866	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 was the first year for the proportion schedule.

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 Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - Schools

Year Ended June 30, 2020

Schedule of Proportionate Share of Net OPEB Liability GLI Program and Related Ratios

	2020	2019	2018
Employer's Proportion of the Net GLI OPEB Liability	0.00274%	0.00277%	0.00300%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 44,588	\$ 42,000	\$ 45,000
Covered Payroll	\$ 538,066	\$ 526,973	\$ 552,624
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.29%	7.97%	8.14%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%	51.22%	48.86%

Notes to Schedule:

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

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

Schedule of Employer Contributions

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution			Employer's Contribution Covered Payroll	Contributions as a % of Covered Payroll
		Contribution	Deficiency	Contribution		
6/30/2020	\$ 2,984	\$ 2,983	\$ 1	\$ 573,771		0.52%
6/30/2019	2,798	2,798	-	538,066		0.52%
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 was the first year for the proportion schedule. 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 Related Ratios and Employer Contributions (Unaudited) - Virginia Retirement System - Teachers' Pool

Year Ended June 30, 2020

Schedule of Proportionate Share of Net OPEB Liability GLI Program and Related Ratios

	2020	2019	2018
Employer's Proportion of the Net GLI OPEB Liability	0.06022%	0.06075%	0.06225%
Employer's Proportionate Share of the Net GLI OPEB Liability	\$ 979,940	\$ 922,000	\$ 937,000
Covered Payroll	\$ 11,803,449	\$ 11,559,264	\$ 11,491,017
Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll	8.30%	7.98%	8.15%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%	51.22%	48.86%

Notes to Schedule:

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

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

Schedule of Employer Contributions

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2020	\$ 63,370	\$ 63,370	\$ 0	\$ 12,186,554	0.52%
6/30/2019	61,378	61,389	(11)	11,803,449	0.52%
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 was the first year for the proportion schedule. 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 Related Ratios and Employer Contributions (Unaudited) -
Virginia Retirement System - City**

Year Ended June 30, 2020

Schedule of Proportionate Share of Net OPEB Liability HIC Program and Related Ratios

	2020	2019	2018
Employer's Proportion of the Net HIC OPEB Liability	0.83048%	0.75435%	0.75790%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$ 158,427	\$ 131,099	\$ 131,420
Covered Payroll	\$ 6,389,305	\$ 6,205,925	\$ 5,591,072
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	2.48%	2.11%	2.35%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	56.19%	57.39%	56.13%

Notes to Schedule:

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

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

Schedule of Employer Contributions

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2020	\$ 18,196	\$ 16,884	\$ 1,312	\$ 6,739,407	0.25%
6/30/2019	17,251	16,003	1,248	6,389,305	0.25%
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 was the first year for the proportion schedule. 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 Related Ratios and Employer Contributions (Unaudited) -
Virginia Retirement System - Schools**

Year Ended June 30, 2020

Schedule of Proportionate Share of Net OPEB Liability HIC Program and Related Ratios

	2020	2019	2018
Employer's Proportion of the Net HIC OPEB Liability	0.31217%	0.33949%	0.33449%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$ 59,551	\$ 59,000	\$ 58,000
Covered Payroll	\$ 538,066	\$ 526,973	\$ 552,624
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	11.07%	11.20%	10.50%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	56.19%	57.39%	56.13%

Notes to Schedule:

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

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

Schedule of Employer Contributions

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll	Contributions as a % of Covered Payroll
6/30/2020	\$ 4,992	\$ 4,992	\$ -	\$ 573,771	0.87%
6/30/2019	4,681	4,681	-	538,066	0.87%
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 was the first year for the proportion schedule. 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 Related Ratios and Employer Contributions (Unaudited) -
Virginia Retirement System - Teachers' Pool**

Year Ended June 30, 2020

Schedule of Proportionate Share of Net OPEB Liability HIC Program and Related Ratios

	2020	2019	2018
Employer's Proportion of the Net HIC OPEB Liability	0.14075%	0.14285%	0.14545%
Employer's Proportionate Share of the Net HIC OPEB Liability	\$ 1,842,554	\$ 1,814,000	\$ 1,845,000
Covered Payroll	\$ 11,803,449	\$ 11,559,264	\$ 11,491,017
Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of its Covered Payroll	15.61%	15.69%	16.06%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	8.97%	8.08%	7.04%

Notes to Schedule:

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

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

Schedule of Employer Contributions

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution			Employer's Covered Payroll		Contributions as a % of Covered Payroll
		Contractually Required Contribution	Contribution Deficiency	Employer's Covered Payroll			
6/30/2020	\$ 146,239	\$ 146,238	\$ 1	\$ 12,186,554			1.20%
6/30/2019	141,641	141,666	(25)	11,803,449			1.20%
6/30/2018	142,179	146,364	(4,185)	11,559,264			1.27%
6/30/2017	127,550	127,508	42	11,491,017			1.11%
6/30/2016	117,629	117,608	21	11,097,066			1.06%
6/30/2015	116,714	115,710	1,004	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 was the first year for the proportion schedule. 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

June 30, 2020

Budgets and Budgetary Accounting

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

- Between the 1st and 30th of April, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is formulated from estimates of revenues and expected expenditures from each department. The School Board is treated as a single expenditure line item.
- When the City Manager submits the proposed budget to City Council, he also recommends an appropriation ordinance and an ordinance levying the tax rates for the ensuing year.
- City Council then holds public hearings on the proposed budget. Notice of such 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.

* * * * *

Other Supplementary Information

Statement of Changes in Assets and Liabilities - Library Agency Fund

Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Assets				
Cash and cash equivalents	\$ 17,372	\$ 283	\$ -	\$ 17,655
Liabilities				
Amounts held for others	\$ 17,372	\$ 283	\$ -	\$ 17,655

Combining Balance Sheet - Component Unit - Poquoson City Public Schools

June 30, 2020

	Governmental Activities		
	General	Special Revenue	Total Schools
Assets			
Cash and cash equivalents	\$ 2,922,688	\$ -	\$ 2,922,688
Restricted cash and cash equivalents	-	292,194	292,194
Due from other governmental units	350,202	-	350,202
Inventory	-	22,828	22,828
Total assets	\$ 3,272,890	\$ 315,022	\$ 3,587,912
Liabilities			
Accounts payable and accrued liabilities	\$ 2,584,733	\$ -	\$ 2,584,733
Due to Primary Government	203,156	-	203,156
Total liabilities	2,787,889	-	2,787,889
Fund Balances			
Nonspendable	-	22,828	22,828
Restricted	-	292,194	292,194
Assigned, education	485,001	-	485,001
Total fund balances	485,001	315,022	800,023
Total liabilities and fund balances	\$ 3,272,890	\$ 315,022	\$ 3,587,912

Combining Balance Sheet - Component Unit - Poquoson City Public Schools

June 30, 2020

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

Total fund balances - Component Unit - Schools	\$ 800,023
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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.	8,489,739
Deferred outflows of resources for OPEB and pension contributions used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,124,625
Deferred outflows of resources for 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.	1,932,098
Deferred outflows of resources for difference between expected and actual experience, net difference between projected and actual earnings on OPEB plan investments, and change in proportionate share of OPEB expense used in governmental activities are not financial resources and, therefore, are not reported in the funds.	360,546
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(22,440,632)
Deferred inflows of resources for differences between projected and actual earnings on OPEB plan investments, difference between expected and actual experience, changes in proportionate share of OPEB expense, and changes in actuarial assumptions are not due and payable in the current period and, therefore, are not reported in the funds.	(198,869)
Deferred inflows of resources for differences between projected and actual earnings on pension plan investments, differences between expected and actual pension experience, 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.	(2,121,407)
Total net position - Component Unit - Schools	<u><u>\$ (11,053,877)</u></u>

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

Year Ended June 30, 2020

	General Fund	Special Revenue	Total Schools
Revenues			
Charges for services	\$ -	\$ 790,728	\$ 790,728
Intergovernmental			
Commonwealth of Virginia	12,256,243	13,217	12,269,460
Federal government	1,176,120	-	1,176,120
Local government	10,077,056	-	10,077,056
Other	247,281	-	247,281
Total revenues	23,756,700	803,945	24,560,645
Expenditures			
Current			
Education	23,591,928	1,048,643	24,640,571
Total expenditures	23,591,928	1,048,643	24,640,571
Excess (deficiency) of revenues over (under) expenditures	164,772	(244,698)	(79,926)
Other financing sources (uses)			
Transfers in	-	222,472	222,472
Transfers out	(222,472)	-	(222,472)
Total other financing sources (uses), net	(222,472)	222,472	-
Net change in fund balance	(57,700)	(22,226)	(79,926)
Fund balance, beginning of year	542,701	337,248	879,949
Fund balance, end of year	\$ 485,001	\$ 315,022	\$ 800,023

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

Year Ended June 30, 2020

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

Net change in fund balances - total School Board funds	\$ (79,926)
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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	666,591
Depreciation expense	(1,192,113)

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.

3,926,351

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	(200,656)
Other postemployment benefits liability	23,636
Compensated absences	<u>(8,648)</u>

Change in net position of governmental activities \$ 3,135,235

Budgetary Comparison Schedule - General Fund
Component Unit - Poquoson City Public Schools

Year Ended June 30, 2020

	General Fund				Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual		
Revenues					
Intergovernmental					
Commonwealth of Virginia	\$ 12,283,242	\$ 12,464,002	\$ 12,256,243	\$ (207,759)	
Federal government	1,197,232	1,724,153	1,176,120	\$ (548,033)	
Local government	10,166,687	10,192,820	10,077,056	(115,764)	
Other	137,000	214,780	247,281	32,501	
Total revenues	23,784,161	24,595,755	23,756,700	(839,055)	
Expenditures					
Current					
Instruction	17,313,294	16,911,426	16,655,290	256,136	
Division-wide	1,190,707	1,280,407	1,250,808	29,599	
Transportation	863,634	940,408	940,242	166	
Operation and maintenance	1,931,339	2,267,805	2,267,208	597	
Food service	276,075	327,304	276,489	50,815	
Technology	1,196,880	1,380,481	1,251,457	129,024	
Grants	1,012,232	1,487,924	1,115,206	372,718	
Total expenditures	23,784,161	24,595,755	23,756,700	839,055	
Other financing (uses)					
Transfer out - special revenue fund	-	-	(222,472)	(222,472)	
Total other financing (uses)	-	-	(222,472)	(222,472)	
Deficiency of revenues under expenditures and other financing (uses) - budgetary basis					
	\$	-	\$ (222,472)	\$ (222,472)	
Less encumbrances outstanding beginning of year actually expended as of end of year					
				(542,701)	
Add encumbrances outstanding end of year					
				<u>485,001</u>	
Deficiency of revenues under expenditures and other financing uses - U.S. GAAP basis					
				(57,700)	
Fund balance, beginning of year					
				<u>542,701</u>	
Fund balance, end of year					
				<u><u>\$ 485,001</u></u>	

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

Year Ended June 30, 2020

(School Activity Funds and Instructional Support Fund)

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Assets				
Cash and cash equivalents	\$ 286,106	\$ 706,670	\$ 671,781	\$ 320,995
Liabilities				
Due to students	\$ 286,106	\$ 706,670	\$ 671,781	\$ 320,995

Statement of Cash Flows - Component Unit - Economic Development Authority

Year Ended June 30, 2020

Cash flows from operating activities

Received from customers and users	\$ 49,365
Payments to suppliers for goods and services	(15,249)
Net cash provided by operating activities	34,116

Cash flows from noncapital financing agreements

Contributions from Primary Government	17,053
Net cash provided by noncapital financing agreements	17,053

Cash flows from capital and related financing activities

Interest paid on capital debt	(35,546)
Net cash used in capital and related financing activities	(35,546)

Net increase in cash and cash equivalents 15,623**Cash and cash equivalents, beginning of year** 35,897**Cash and cash equivalents, end of year** \$ 51,520**Reconciliation of operating income to net cash used in operating activities**

Operating income	\$ 19,785
Depreciation	14,331
Net cash used in operating activities	\$ 34,116

Statistical Section (Unaudited)

City of Poquoson, Virginia

Statistical Section Overview

June 30, 2020

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.

* * * * *

City of Poquoson, Virginia

Table 1

Net Position by Component (unaudited)

Last Ten Fiscal Years

	(Restated)					(Restated)				
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities										
Net investment in capital assets	\$ 18,320,781	\$ 2,081,923	\$ 18,989,419	\$ 17,903,251	\$ 16,369,767	\$ 15,992,201	\$ 15,304,386	\$ 16,049,986	\$ 16,838,143	\$ 17,593,261
Restricted	2,489,143	20,119,972	1,873,326	1,997,619	2,502,661	1,229,189	758,646	878,402	1,037,956	-
Unrestricted	2,965,512	2,254,527	944,323	2,027,326	1,902,805	1,404,823	864,818	5,088,254	5,070,860	5,902,110
Total governmental activities	\$ 23,775,436	\$ 24,456,422	\$ 21,807,068	\$ 21,928,196	\$ 20,775,233	\$ 18,626,213	\$ 16,927,850	\$ 22,016,642	\$ 22,946,959	\$ 23,495,371
Business-type activities										
Net investment in capital assets	\$ 5,454,081	\$ 5,201,957	\$ 4,865,391	\$ 4,611,977	\$ 4,754,036	\$ 4,791,909	\$ 4,610,052	\$ 4,848,333	\$ 5,094,194	\$ 5,073,709
Unrestricted	3,258,942	3,134,382	2,863,875	2,565,946	1,869,516	1,408,633	1,307,027	1,016,071	588,681	499,193
Total business-type activities	\$ 8,713,023	\$ 8,336,339	\$ 7,729,266	\$ 7,177,923	\$ 6,623,552	\$ 6,200,542	\$ 5,917,079	\$ 5,864,404	\$ 5,682,875	\$ 5,572,902
Primary Government										
Net investment in capital assets	\$ 23,774,862	\$ 7,283,880	\$ 23,854,810	\$ 22,515,228	\$ 21,123,803	\$ 20,784,110	\$ 19,914,438	\$ 20,898,319	\$ 21,932,337	\$ 22,199,083
Restricted - capital projects	1,422,500	18,973,986	1,080,002	1,644,469	1,995,804	942,712	488,442	645,971	862,106	-
Restricted - other	1,066,643	1,145,986	793,324	353,150	506,857	286,477	270,204	232,431	175,850	-
Unrestricted	6,224,454	5,388,909	3,808,198	4,593,272	3,772,321	2,813,456	2,171,845	6,104,325	5,659,541	6,401,303
Total Primary Government	\$ 32,488,459	\$ 32,792,761	\$ 29,536,334	\$ 29,106,119	\$ 27,398,785	\$ 24,826,755	\$ 22,844,929	\$ 27,881,046	\$ 28,629,834	\$ 28,600,386

City of Poquoson, Virginia

Table 2

Change in Net Position (unaudited)

Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities										
General government	\$ 4,959,427	\$ 3,305,464	\$ 4,152,443	\$ 3,772,798	\$ 3,670,330	\$ 2,655,051	\$ 3,471,130	\$ 3,081,068	\$ 3,058,270	\$ 2,328,395
Public safety and judicial	7,740,807	7,119,909	7,136,755	6,811,120	6,367,432	6,572,994	6,669,898	6,609,483	6,296,795	6,147,949
Public works	1,821,762	2,081,748	2,108,673	1,454,996	672,523	1,722,753	2,066,486	1,599,943	1,875,113	1,883,380
Health and welfare	1,165,110	1,190,360	1,303,164	1,228,244	1,125,090	1,036,794	957,396	909,035	913,826	817,008
Education	12,899,682	10,534,422	10,249,813	10,089,105	10,434,221	10,126,907	9,984,015	9,557,995	9,510,584	9,080,484
Parks and recreation	1,778,533	1,762,160	1,647,715	2,113,548	1,923,884	1,738,752	1,774,597	1,639,717	1,248,643	1,224,910
Economic Development Authority	17,053	16,417	5,000	-	25,000	-	-	-	-	-
Community development	765,613	1,095,080	2,046,826	1,611,496	667,793	560,195	644,892	711,874	567,672	488,893
Interest on long-term debt	1,228,907	1,922,059	1,081,173	638,246	1,040,364	1,046,103	1,074,323	1,114,258	1,219,966	1,213,782
Total governmental activities	32,376,894	29,027,619	29,731,562	27,719,553	25,926,637	25,459,549	26,642,737	25,223,373	24,690,869	23,184,801
Business-type activities										
Sewer	1,457,329	1,462,941	1,439,188	1,488,407	1,485,293	1,520,881	1,465,757	1,470,187	1,447,681	2,057,173
Parks and recreation	-	-	-	-	-	-	-	-	455,199	450,025
Solid waste	1,041,994	816,100	756,231	806,210	793,688	746,243	863,191	842,251	743,280	791,114
Total business-type activities	2,499,323	2,279,041	2,195,419	2,294,617	2,278,981	2,267,124	2,328,948	2,312,438	2,646,160	3,298,312
Total expenses	34,876,217	31,306,660	31,926,981	30,014,170	28,205,618	27,726,673	28,971,685	27,535,811	27,337,029	26,483,113
Program revenues										
Governmental activities										
Charges for services:										
General government	258,432	256,084	179,790	1,269,889	343,486	236,877	276,781	218,338	223,152	223,887
Public safety and judicial	427,125	494,512	475,122	458,937	435,190	477,642	398,996	370,268	112,011	300,870
Education	-	-	-	3,655	47,520	43,914	35,343	36,347	49,188	36,347
Parks and recreation	52,895	80,480	77,252	85,445	89,096	80,871	76,741	80,352	74,609	61,820
Community development	240,495	328,058	347,472	317,701	330,949	324,945	312,043	330,873	300,206	33,721
Operating grants and contributions	2,284,340	1,707,679	1,752,658	1,640,741	1,633,650	1,566,976	1,622,774	1,670,603	1,575,285	1,881,297
Capital grants and contributions	928,323	1,558,876	2,059,956	645,565	837,446	507,190	599,361	458,320	732,846	419,225
Total governmental activities	4,191,610	4,425,689	4,892,250	4,421,933	3,717,337	3,238,415	3,322,039	3,165,101	3,067,297	2,957,167
Business-type activities										
Charges for services:										
Sewer	1,901,917	2,145,486	2,095,278	2,188,672	2,015,026	1,865,981	1,887,501	1,835,646	1,520,017	1,531,319
Solid waste	1,141,314	886,514	846,418	819,845	801,841	796,892	863,890	862,297	212,730	189,782
Parks and recreation	-	-	-	-	-	-	-	-	743,936	755,834
Total business-type activities	3,043,231	3,032,000	2,941,696	3,008,517	2,816,867	2,662,873	2,751,391	2,697,943	2,476,683	2,476,935
Total program revenues	7,234,841	7,457,689	7,833,946	7,430,450	6,534,204	5,901,288	6,073,430	5,863,044	5,543,980	5,434,102
Governmental activities, net expense	(28,185,284)	(24,601,930)	(24,839,312)	(23,297,620)	(22,209,300)	(22,221,134)	(23,320,698)	(22,058,272)	(21,623,572)	(20,227,634)
Business-type activities, net expense	543,908	752,959	746,277	713,900	537,886	395,749	422,443	385,505	(169,477)	(821,377)
Total Primary Government, net expenses	\$ (27,641,376)	\$ (23,848,971)	\$ (24,093,035)	\$ (22,583,720)	\$ (21,671,414)	\$ (21,825,385)	\$ (22,898,255)	\$ (21,672,767)	\$ (21,793,049)	\$ (21,049,011)

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General revenues and other changes in net position										
Governmental activities										
Taxes										
Property taxes	\$ 23,549,034	\$ 23,062,109	\$ 21,616,868	\$ 20,821,895	\$ 20,570,278	\$ 20,368,202	\$ 18,827,143	\$ 18,219,806	\$ 18,228,029	\$ 18,235,363
Other taxes	2,903,939	2,868,532	2,964,540	2,957,310	2,838,120	2,906,288	2,804,760	2,881,297	2,529,995	2,464,223
Reimbursements from other agencies	123,570	152,346	139,561	137,731	158,675	128,897	159,612	84,883	58,458	75,318
Payments in lieu of taxes										
Investment earnings	322,261	362,288	283,557	251,622	221,823	200,759	188,699	189,710	181,274	183,284
Miscellaneous	405,494	607,862	548,204	86,193	419,424	165,351	184,222	236,197	196,203	(25,102)
Transfers	200,000	198,147	200,000	195,833	150,000	150,000	128,000	130,000	(118,799)	80,400
Total governmental activities	27,504,298	27,251,284	25,752,730	24,450,584	24,358,320	23,919,497	22,292,436	21,741,893	21,075,160	21,013,486
Business-type activities										
Investment earnings	32,776	47,686	35,208	35,973	34,964	33,357	35,470	26,440	32,131	29,476
Miscellaneous	-	4,575	9,280	331	160	4,357	587	2,677	128,520	132,530
Transfers	(200,000)	(198,147)	(200,000)	(195,833)	(150,000)	(150,000)	(128,000)	(130,000)	118,799	(49,200)
Total business-type activities	(167,224)	(145,886)	(155,512)	(159,529)	(114,876)	(112,286)	(91,943)	(100,883)	279,450	112,806
Total general revenues and other changes in net position	27,337,074	27,105,398	25,597,218	24,291,055	24,243,444	23,807,211	22,200,493	21,641,010	21,354,610	21,126,292
Change in net position										
Governmental activities	(680,986)	2,649,354	913,418	1,152,964	2,149,020	1,698,363	(1,028,262)	(316,379)	(548,412)	785,852
Business-type activities	376,684	607,073	590,765	554,371	423,010	283,463	330,500	284,622	109,973	(708,571)
Total Primary Government	\$ (304,302)	\$ 3,256,427	\$ 1,504,183	\$ 1,707,335	\$ 2,572,030	\$ 1,981,826	\$ (697,762)	\$ (31,757)	\$ (438,439)	\$ 77,281

Fund Balances - Governmental Funds (unaudited)**Last Ten Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General fund										
Non-spendable	\$ 1,647,904	\$ 1,707,130	\$ 1,828,040	\$ 1,847,268	\$ 1,861,498	\$ 1,880,726	\$ 1,899,954	\$ 1,968,595	\$ 254,474	\$ 273,051
Restricted	1,066,643	1,145,986	793,324	353,150	348,557	286,477	270,204	234,126	175,850	193,477
Assigned	207,690	272,967	367,729	914,114	829,475	855,862	706,877	426,772	679,065	447,892
Unassigned	6,279,043	5,389,522	5,343,537	4,358,819	4,388,700	4,851,141	5,009,182	4,837,805	4,498,417	4,776,356
Total General Fund	\$ 9,201,280	\$ 8,515,605	\$ 8,332,630	\$ 7,473,351	\$ 7,428,230	\$ 7,874,206	\$ 7,886,217	\$ 7,467,298	\$ 5,607,806	\$ 5,690,776
All other governmental funds										
Restricted	\$ 17,855,149	\$ 18,973,986	\$ 1,080,002	\$ 1,644,469	\$ 2,154,104	\$ 942,712	\$ 488,442	\$ 645,971	\$ 862,106	\$ 478,967
Assigned	1,265,171	1,391,455	666,063	769,329	706,113	822,546	573,040	651,746	376,082	391,118
Total all other governmental funds	\$ 19,120,320	\$ 20,365,441	\$ 1,746,065	\$ 2,413,798	\$ 2,860,217	\$ 1,765,258	\$ 1,061,482	\$ 1,297,717	\$ 1,238,188	\$ -

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Note: GASB 54 was implemented by the City in FY 2011. Data for this schedule prior to FY 2010 is not available.

Changes in Fund Balances - Governmental Funds (unaudited)

Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
General property taxes	\$ 21,594,010	\$ 20,971,058	\$ 19,764,234	\$ 18,939,996	\$ 18,605,963	\$ 18,425,590	\$ 16,959,423	\$ 16,371,816	\$ 16,361,071	\$ 16,296,911
Other local taxes	2,903,939	2,868,532	2,964,540	2,957,310	2,838,120	2,906,288	2,804,760	2,881,297	2,529,995	2,464,223
Permits, privilege fees, and regulatory licenses	106,467	115,212	119,995	157,800	150,186	168,314	89,910	76,040	97,314	78,464
Fines and forfeitures	30,661	30,474	42,695	34,665	41,742	44,898	73,024	58,103	43,603	54,907
Revenue from use of money and property	322,261	362,288	283,557	251,622	221,823	200,759	188,699	189,710	183,310	183,282
Charges for services	600,840	776,328	758,409	689,823	719,627	730,274	677,961	683,698	395,096	299,386
Intergovernmental	5,500,643	5,579,452	6,034,143	5,600,807	4,887,888	4,347,257	4,564,184	4,355,574	4,513,171	4,416,734
Miscellaneous	388,159	555,455	523,784	77,683	406,388	187,840	216,483	260,245	215,548	128,881
Total revenues	31,446,980	31,258,799	30,491,357	28,709,706	27,871,737	27,011,220	25,574,444	24,876,483	24,339,108	23,922,788
Expenditures										
Current										
General government and administration	2,427,124	2,422,070	2,367,377	2,197,779	2,307,455	2,142,936	2,150,397	2,116,875	2,175,864	2,106,211
Public safety and judicial	7,591,455	7,540,536	7,082,765	6,748,735	6,510,844	6,543,540	6,323,724	6,247,962	5,909,331	5,765,369
Public works	1,883,868	2,023,809	1,800,787	1,904,962	1,806,905	1,846,179	1,717,667	1,587,114	1,596,143	1,516,878
Health and welfare	1,160,520	1,215,397	1,308,293	1,226,563	1,127,881	1,038,823	938,191	892,421	897,082	802,490
Parks, recreation, and cultural	1,650,414	1,705,296	1,673,714	1,617,467	1,605,290	1,616,495	1,558,028	1,545,578	1,057,553	1,016,944
Community development	764,987	1,127,264	2,088,168	1,616,597	686,316	588,060	643,567	705,927	577,990	490,912
Nondepartmental	205,324	145,036	119,940	138,342	114,470	113,192	125,312	144,213	359,518	112,981
Education	10,077,056	9,851,389	9,853,778	9,738,170	9,566,168	9,422,763	8,991,413	8,844,076	8,796,662	8,578,675
Economic Development Authority	17,053	16,417	5,000	-	25,000	-	-	-	-	-
Capital outlay	2,511,266	1,191,561	1,360,988	1,468,075	1,202,670	822,462	991,003	794,678	1,119,347	814,871
Debt service										
Principal retirement	2,443,009	2,262,180	2,000,899	1,969,645	2,078,058	1,464,000	886,835	684,426	867,647	896,963
Bond issuance costs	-	567,951	-	-	298,907	-	-	-	310,631	43,263
Interest and fiscal charges	1,474,350	1,295,065	1,005,102	842,370	1,128,233	1,163,062	1,190,623	1,124,605	1,266,380	1,136,670
Total expenditures	32,206,426	31,363,971	30,666,811	29,468,705	28,458,197	26,761,512	25,516,760	24,687,875	24,934,148	23,282,227
Excess (deficiency) of revenues over (under) expenditures	(759,446)	(105,172)	(175,454)	(758,999)	(586,460)	249,708	57,684	188,608	(595,040)	640,561
Other financing sources (uses)										
Transfers in	4,258,588	4,141,866	3,142,671	3,216,988	3,988,485	3,795,075	2,306,958	2,333,090	2,253,807	2,248,182
Issuance of debt, net	-	18,714,856	167,000	127,224	1,085,443	292,057	-	1,734,000	998,972	39,914
Transfers out	(4,058,588)	(3,949,199)	(2,942,671)	(3,021,155)	(3,838,485)	(3,645,075)	(2,181,958)	(2,203,090)	(2,372,606)	(2,167,782)
Total other financing sources, net	200,000	18,907,523	367,000	323,057	1,235,443	442,057	125,000	1,864,000	880,173	120,314
Net change in fund balances	\$ (559,446)	\$ 18,802,351	\$ 191,546	\$ (435,942)	\$ 648,983	\$ 691,765	\$ 182,684	\$ 2,052,608	\$ 285,133	\$ 760,875
Debt service (1) as a percentage of noncapital expenditures (2)	12.80%	11.74%	10.21%	10.19%	11.76%	10.15%	8.70%	7.73%	8.78%	9.43%

(1) Debt service = total principal retirement plus total interest and fiscal charges.

(2) Noncapital expenditures = total expenditures less amounts for capital assets on the Government-Wide Statement of Net Assets.

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
2020	\$1,561,914,700	\$ 101,399,100	\$ 2,018,600	\$1,665,332,400	\$ 101,789,500	\$ 1.14	\$1,655,332,400	101%
2019	1,495,634,600	99,817,800	2,018,600	1,597,471,000	102,206,400	1.14	1,616,917,675	99%
2018	1,481,592,900	99,130,100	2,018,600	1,582,741,600	104,112,600	1.07	1,583,888,262	100%
2017	1,422,141,000	108,653,342	2,018,000	1,532,812,342	104,188,800	1.07	1,548,341,465	99%
2016	1,416,700,300	106,316,055	2,018,000	1,525,034,355	104,751,400	1.07	1,540,287,555	99%
2015	1,419,250,800	97,448,871	2,012,700	1,518,712,371	104,076,490	1.07	1,518,712,371	100%
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%

Source: Commissioner of the Revenue and City Assessor

Note: 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
2020	\$ 18,845,990	\$ -	\$ 18,845,990	\$ 18,634,394	98.88%	\$ -	\$ 18,634,394	98.88%
2019	18,201,313	(1,693)	18,199,620	18,018,710	99.00%	110,217	18,128,927	99.61%
2018	16,950,876	(6,973)	16,943,903	16,857,244	99.45%	47,847	16,905,091	99.77%
2017	16,283,816	17,565	16,301,381	16,136,972	98.99%	132,777	16,269,749	99.81%
2016	16,111,062	12,802	16,123,864	15,942,338	98.87%	166,909	16,109,247	99.91%
2015	16,039,914	942	16,040,856	15,875,158	98.97%	153,020	16,028,178	99.92%
2014	14,492,059	(2,924)	14,489,135	14,338,022	98.94%	146,166	14,484,188	99.97%
2013	13,891,076	(5,000)	13,886,076	13,709,910	98.70%	172,454	13,882,364	99.97%
2012	13,808,493	(7,299)	13,801,194	13,617,311	98.62%	176,630	13,793,941	99.95%
2011	13,666,068	12,686	13,678,754	13,421,564	98.21%	247,700	13,669,264	99.93%

Source: City of Poquoson Treasurer's Department

Principal Taxpayers - 2020 and Nine Years Ago (Unaudited)

Taxpayer	Type of Business	2020		2011	
		Assessed Valuation Real Estate	Percentage of Total Real Estate Assessment	Assessed Valuation Real Estate	Percentage of Total Real Estate Assessment
Poquoson Place Apartments	Apartment Rentals	\$ 10,075,800	0.61%	\$ 9,460,200	0.55%
Poquoson Commons Retail Investors, Inc.	Shopping Center	7,350,300	0.44%	6,415,500	0.37%
Poquoson Shopping Center, L.L.C.	Shopping Center	6,240,600	0.39%	4,532,700	0.26%
GPH Poquoson L.L.C.	Nursing Home	5,974,800	0.36%	3,641,600	0.21%
Shamrock Redwood Whitehouse LLC	Mobile Home Park	5,417,800	0.33%	-	0.00%
SNH CHS Properties Trust	Nursing Home	5,038,000	0.30%	2,321,600	0.13%
Islander Associates	Apartment Rentals	4,440,300	0.22%	3,444,200	0.20%
City of Newport News	Public Service	4,375,200	0.26%	-	0.00%
SGC Wythe Creek, L.L.C.	Shopping Center	4,414,400	0.27%	4,407,200	0.26%
Universal of Poquoson	Mobile Home Park	3,824,600	0.23%	3,299,000	0.19%
Whitehouse Cove, L.L.C.	Marina / Mobile Home Park	-	0.00%	4,934,100	0.29%
Hunt Properties of Poquoson, Inc.	Storage Facilities	-	0.00%	2,671,900	0.15%
		<u>\$ 57,151,800</u>	<u>3.41%</u>	<u>\$ 45,128,000</u>	<u>2.61%</u>

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total assessed value of taxed real property										
General	\$ 1,665,332,400	\$ 1,583,909,200	\$ 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
Public service corporations	21,926,700	22,895,188	22,620,001	22,397,342	20,060,055	18,657,291	19,993,917	18,123,219	20,526,707	16,937,906
Total	\$ 1,687,259,100	\$ 1,606,804,388	\$ 1,731,844,592	\$ 1,641,465,684	\$ 1,525,034,355	\$ 1,518,712,371	\$ 1,513,018,247	\$ 1,526,769,279	\$ 1,519,389,327	\$ 1,728,246,736
Debt limit (10% of total assessed value)										
	\$ 168,725,910	\$ 160,680,439	\$ 173,184,459	\$ 164,146,568	\$ 152,503,436	\$ 151,871,237	\$ 151,301,825	\$ 152,676,928	\$ 151,938,933	\$ 172,824,674
Debt applicable to debt limit										
General obligation bonds, other than those authorized for a specific revenue producing project	\$ 35,532,585	\$ 37,882,586	\$ 21,734,586	\$ 23,419,586	\$ 25,104,587	\$ 27,174,645	\$ 28,096,588	\$ 28,619,001	\$ 27,212,000	\$ 28,164,822
Capital leases	187,584	280,592	228,325	-	-	-	-	83,166	163,593	241,240
Sewer general obligation bonds	4,935,002	5,450,002	5,940,002	6,410,000	6,855,000	7,220,000	8,000,000	8,305,000	8,605,000	9,425,933
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
	40,655,171	43,613,180	28,152,913	30,329,586	32,709,587	35,394,645	37,346,588	38,537,987	37,788,413	39,916,815
Margin for additional borrowing	\$ 128,070,739	\$ 117,067,259	\$ 145,031,546	\$ 133,816,982	\$ 119,793,849	\$ 116,476,592	\$ 113,955,237	\$ 114,138,941	\$ 114,150,520	\$ 132,907,859
Total net debt applicable to the limit as a percentage of debt limit										
	24.10%	27.14%	16.26%	18.48%	21.45%	23.31%	24.68%	25.24%	24.87%	23.10%

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					
2020	\$ 38,945,971	\$ -	\$ 187,584	\$ 5,253,858	\$ 44,387,413	N/A	N/A	N/A	N/A
2019	41,625,365	-	280,592	5,819,009	47,724,966	N/A	N/A	N/A	N/A
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	\$ 88,328	1.0%	\$ 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	

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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
2020	N/A	\$ 1,665,332,400	\$ 38,945,971	2.34%	N/A
2019	12,395	1,597,471,000	41,625,365	2.61%	\$ 3,358
2018	12,320	1,582,741,600	25,542,387	1.61%	2,073
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

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)
2020	N/A	N/A	N/A	2,118	3.9%
2019	12,395	N/A	N/A	2,119	2.5%
2018	12,320	\$ 4,731	\$ 59,113	2,122	2.7%
2017	12,311	4,529	56,763	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	12,240	3,716	47,564	2,231	5.9%

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 - 2020 and Nine Years Ago (Unaudited)

Employment	2020		2011	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Poquoson City Public Schools	284	15.85%	310	13.68%
City of Poquoson	148	8.26%	134	5.91%
Farm Fresh	N/A	N/A	72	3.18%
Golden Living Center/Bayside	39	2.18%	N/A	N/A
Food Lion	80	4.46%	60	2.65%
Surf Rider	46	2.57%	N/A	N/A
Dominion Village at Poquoson	34	1.90%	42	1.85%
McDonald's Restaurant	38	2.12%	55	2.43%
Wendy's Restaurant	21	1.17%	N/A	N/A
Poquoson Veterinary Hospital	21	1.17%	N/A	N/A
Stephen's Office Supply	14	0.78%	23	1.02%
Taylor's Do It Center	15	0.84%	16	0.71%
Unity Business Systems	N/A	N/A	35	1.54%
	740	41.29%	747	32.97%

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,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General government:										
Management services	13.20	13.20	13.20	13.20	12.20	12.20	12.20	12.20	12.20	12.20
Finance	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Planning	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.35
Building	4.75	4.75	4.75	4.75	3.75	3.75	3.75	3.75	3.75	3.75
Other	3.10	3.10	3.10	3.10	3.10	3.10	3.10	3.10	2.85	2.10
Police:										
Officers	28.50	28.50	26.50	25.50	24.50	23.50	23.50	23.50	22.50	22.50
Civilians	1.75	1.50	1.50	1.50	1.50	1.00	1.00	1.00	1.00	1.00
Fire:										
Firefighters and officers	32.00	32.00	32.00	32.00	30.00	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	1.00
Other public works:										
Engineering	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00
Other	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Fleet	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Parks and recreation	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80	9.80
Library	12.45	12.45	12.45	12.45	11.95	11.95	11.95	11.95	11.95	11.95
Utilities	5.00	5.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Total	150.55	150.30	148.30	145.30	139.80	136.30	135.90	135.90	134.05	133.65

Operating Indicators by Function / Program (Unaudited)

Last Ten Fiscal Years

Function / Program	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Police (1)										
Physical arrests	172	293	263	270	259	225	255	291	307	259
Parking violations	7	16	6	2	8	9	18	41	18	39
Traffic violations	586	660	841	824	714	728	982	1,062	714	957
Fire (2)										
Emergency responses	2,293	2,000	2,331	974	1,991	2,228	1,883	2,122	2,028	1,827
Fires extinguished	23	23	31	24	25	36	14	22	20	51
Inspections	65	113	155	108	182	237	209	240	239	290
Refuse collection (3)										
Refuse collected (tons)	4,810	4,364	4,421	3,120	2,491	2,338	3,597	2,761	2,184	2,241
Recyclables collected (tons)	826	1,084	1,732	2,207	1,102	1,227	1,161	1,282	1,324	1,390
Other public works (3)										
Street resurfacing (tons)	1,632	3,600	2,736	3,317	3,461	1,764	0	2,524	2,991	2,645
Library (4)										
Volumes in collection	64,019	64,117	64,521	66,390	66,922	64,135	62,048	60,811	59,816	58,203
Total volumes borrowed	131,293	160,257	167,759	146,204	185,361	199,695	207,338	199,739	189,719	197,967
Wastewater (5)										
Sewer connections	5,060	5,027	5,029	5,004	4,943	4,910	4,816	4,782	4,816	4,805

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	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Police (1)										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	33	33	29	29	27	27	25	25	25	24
Fire stations (2)	2	2	2	2	2	2	2	2	2	2
Refuse collection (3)										
Collection trucks	6	4	4	4	4	4	4	4	4	3
Other public works (3)										
Street (miles)	55.18	55.18	54.9	56.7	54.6	55.3	55.1	55.1	55.1	55.1
Streetlights	589	589	577	577	577	580	575	575	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	63	63	48
Playgrounds	4	4	4	4	4	4	4	3	3	3
Baseball / softball diamonds	6	6	6	6	6	6	6	4	4	6
Soccer / football fields	6	6	6	6	6	6	6	6	6	6
Community centers	2	2	2	2	2	2	2	2	2	1
Wastewater (5)										
Sanitary sewers (miles)	65	65	65	65	65	65	65	65	65	64
Storm sewers (miles)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34.24(*)	34(*)
Schools (6)										
Schools	4	4	4	4	4	4	4	4	4	4
School buses	23	23	22	22	22	21	21	22	24	21

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

Source: (1) City of Poquoson Police Department

(2) City of Poquoson Fire Department

(3) City of Poquoson Public Works Department

(4) City of Poquoson Parks and Recreation Department

(5) City of Poquoson Utilities Department

(6) Poquoson City Public Schools

Compliance Section

**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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 7, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing 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 financial statements. 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 under 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.

A handwritten signature in black ink that reads "Cherry Bekaert LLP".

Virginia Beach, Virginia
December 8, 2020