

CITY OF HOPEWELL, VIRGINIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

CITY OF HOPEWELL, VIRGINIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
YEAR ENDED JUNE 30, 2020

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**CITY OF HOPEWELL, VIRGINIA
CITY COUNCIL AND CITY OFFICIALS
JUNE 30, 2020**

CITY COUNCIL

Jasmine E. Gore Mayor
Patience Bennett Vice Mayor
Deborah Randolph Councilor
Arlene Holloway Councilor
John B. Partin, Jr. Councilor
Janice Denton Councilor
Brenda S. Pelham Councilor

CONSTITUTIONAL OFFICERS

Joan E. Gosier City Treasurer
Debra A. Reason Commissioner of Revenue
Richard K. Newman Commonwealth’s Attorney
Tamara J. Ward Clerk of the Circuit Court
Stephen M. Kephart, Jr. Sheriff

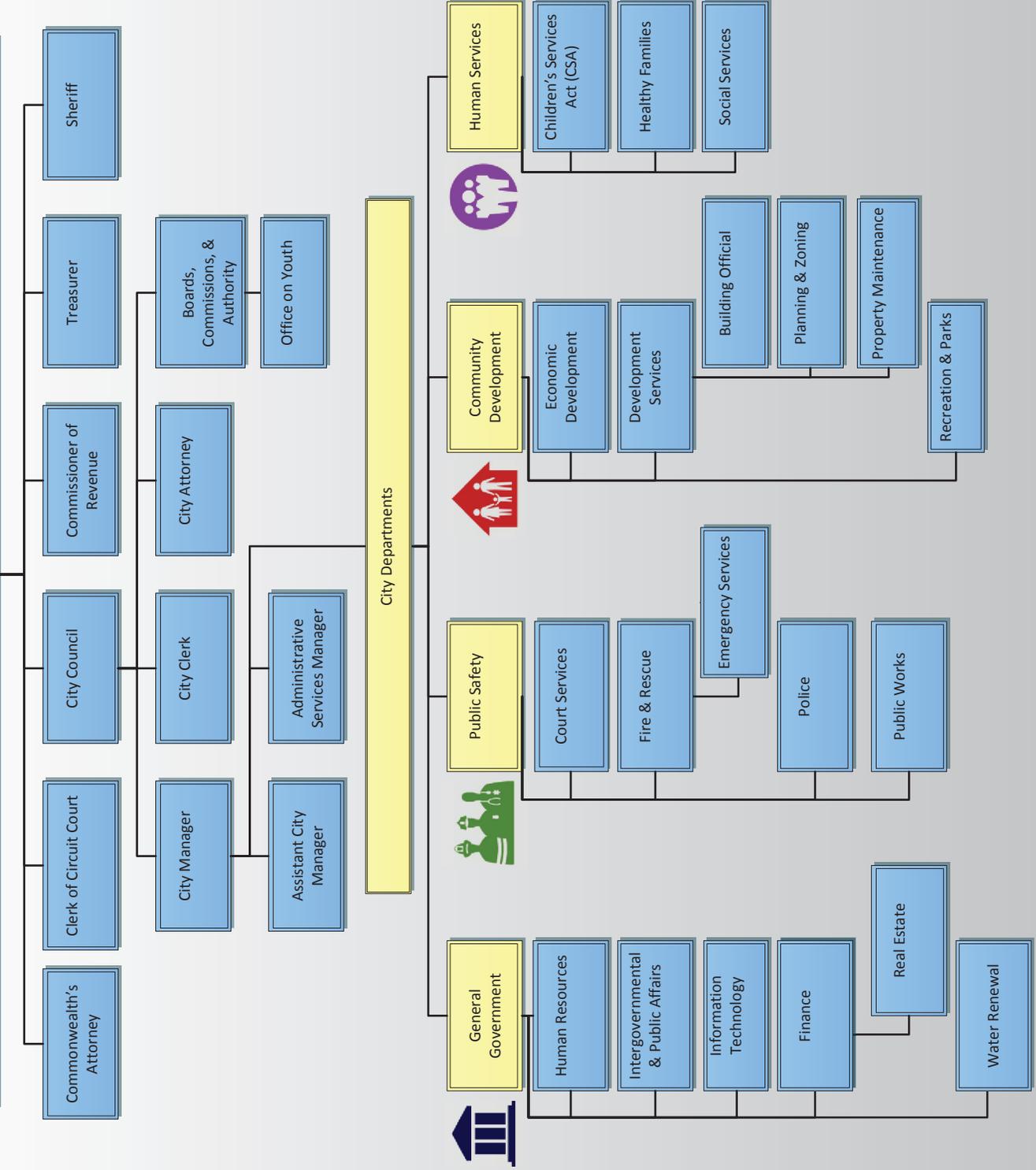
CITY ADMINISTRATION

John M. Altman, Jr. City Manager
Charles E. Dane Assistant City Manager
Sandra Robinson City Attorney
Ronnieye Arrington City Clerk
Raymond W. Spicer Social Services Director
Aaron A. Reidmiller Recreation Director
Edward O. Watson Public Works Director
Hebert Bragg Governmental Affairs Director
Jennifer Sears Human Resources, Interim Director
Jerry Byerly Water Renewal & Sewer System Director
Michael Terry Finance Director
Donald R. Hunter, II Fire Department Chief
Kamran Afzal Police Department Chief

CITY SCHOOLS

Dr. Melody D. Hackney Schools Superintendent

VOTERS



December 10, 2024

The Honorable Members of City Council
City of Hopewell, Virginia:

TO THE HONORABLE MEMBERS OF CITY COUNCIL:

The Annual Financial Report of the City of Hopewell, Virginia (the City) for the year ended June 30, 2020 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Internal Control: City Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Compliance Section: The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Information related to this single audit, including the schedule of federal financial assistance, findings and questioned costs, and independent auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in this report.

CITY GOVERNMENT

The City is governed by the city manager-city council form of government, whereby the city manager is responsible for carrying out the policy decisions of city council. City department directors manage individual departments and report to the city manager. Hopewell has two separate component units-Hopewell Schools and Children's Services Act Board.

The City provides a full range of services, including police and fire protection; sanitation services; health and social services; construction/maintenance of roads, streets, and other infrastructure; cultural events; and, recreational activities. In addition to these general government activities, the Regional Wastewater Treatment Facility is also a part of the primary government and is included in the reporting entity.

ECONOMIC CONDITION AND OUTLOOK

Hopewell is located approximately 25 miles southeast of Richmond, Virginia, the state capital. The City is considered developed out with respect to land use, except for several industrial zoned sites. Almost all new residential development is fill-in because the City has no large undeveloped land parcels. Until such time that the state General Assembly grants additional taxing authority, removes the annexation moratorium, assumes funding responsibility for state mandated services or some combination thereof, the City's revenue potential will remain limited.

The City has joined thirteen other Virginia cities to form the Virginia First Cities Coalition. This group is gathering and providing data to the General Assembly on the needs and issues facing Virginia's older inner cities. The issues facing this group are unique to older inner cities and not counties in Virginia and the General Assembly must address these problems. The City is poised for significant improvements in economic development in the near future.

FINANCIAL INFORMATION

Single Audit

As a recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by City management.

As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2020 is included in this report.

Budgetary Controls

The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the general fund and special revenue funds are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at departmental level within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Appropriations, except for encumbrances and project-length capital projects, lapse at year-end.

OTHER INFORMATION

Management, Discussion and Analysis

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

Independent Audit

State Statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Framer, Cox Associates was selected by the City to perform the annual audit for the year ended June 30, 2020. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The report of the independent auditor on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The report of the independent auditor related specifically to the Single Audit is included in this report.

ACKNOWLEDGMENTS

This report could not have been accomplished without a great deal of cooperation and assistance by staff in both the City departments and Hopewell Schools. Also, we would like to thank the Mayor and members of City Council for their continued interest and support.

Concetta Manker
City Manager

Stacey Jordan
Finance Director



Independent Auditors' Report

**To the Honorable Members of
the City Council
City of Hopewell, 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 Hopewell, Virginia, 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.

Auditors' 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 Hopewell, 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.

Restatement of Beginning Balances

As described in Note 21 to the financial statements, in 2020, the City restated beginning balances to correct various errors. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and schedules related to pension and OPEB funding on pages 87-88, and 89-103 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

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

Supplementary and Other Information (Continued)

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2024, on our consideration of the City of Hopewell, Virginia'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 City of Hopewell, Virginia'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 of Hopewell, Virginia's internal control over financial reporting and compliance.

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
December 13, 2024

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

CITY OF HOPEWELL, VIRGINIA

Statement of Net Position
June 30, 2020

	Primary Government			Component	Component
	Governmental	Business-	Total	Unit	Unit
		Activities		School	Children's
	Activities	Board	Services	Act Board	
Assets					
Cash and cash equivalents	\$ 5,517,917	\$ 35,498,838	\$ 41,016,755	\$ 9,527,626	\$ -
Taxes receivable	22,340,124	-	22,340,124	-	-
Accounts receivable	1,304,807	8,993,167	10,297,974	26,594	-
Notes receivable	131,970	61,188	193,158	-	53
Interest receivable	287	636	923	-	-
Due from School Board	3,610,064	-	3,610,064	-	-
Due from Primary Government	-	-	-	-	525,159
Due from other governmental units	1,552,265	1,018,886	2,571,151	2,430,595	1,267,892
Internal balances	991,835	(991,835)	-	-	-
Inventories	53,373	1,505,515	1,558,888	92,204	-
Prepaid expenses	27,726	-	27,726	-	-
Restricted assets:					
Cash and cash equivalents (in custody of others)	9,454,426	5,912,301	15,366,727	-	-
Note receivable, net of current portion	868,488	2,611,287	3,479,775	-	-
Capital assets, net of accumulated depreciation:					
Land	7,381,964	712,129	8,094,093	474,629	-
Work in progress	2,206,903	5,314,735	7,521,638	-	-
Buildings, system improvements, and Infrastructure	85,070,039	97,563,784	182,633,823	41,439,047	-
Machinery and equipment	17,648,277	56,679,127	74,327,404	4,353,237	-
Sewer main improvements	-	44,751,788	44,751,788	-	-
Accumulated depreciation	(44,235,066)	(88,249,124)	(132,484,190)	(17,704,195)	-
Total assets	\$ 113,925,399	\$ 171,382,422	\$ 285,307,821	\$ 40,639,737	\$ 1,793,104
Deferred outflows of resources					
Deferred outflows related to debt	\$ 1,180,713	\$ 18,910	\$ 1,199,623	\$ -	\$ -
Deferred outflows related to pensions	3,823,658	857,597	4,681,255	9,852,673	-
Deferred outflows related to OPEB	4,303,015	965,066	5,268,081	2,009,193	-
Total deferred inflows of resources	\$ 9,307,386	\$ 1,841,573	\$ 11,148,959	\$ 11,861,866	\$ -
Liabilities					
Accounts payable	\$ 1,153,301	\$ 2,165,937	\$ 3,319,238	\$ 972,461	\$ 333,102
Accrued liabilities	334,092	255,279	589,371	4,165,291	2,781
Refund credits payable	-	737,748	737,748	-	-
Accrued interest payable	633,127	593,887	1,227,014	-	-
Due to Primary Government	-	-	-	3,610,064	-
Due to other governmental units	767,522	-	767,522	-	1,457,221
Unearned revenues	1,965,568	169,146	2,134,714	1,971,749	-
Long-term liabilities:					
Due within one year	3,888,092	1,579,308	5,467,400	545,290	-
Due in more than one year	80,263,782	38,233,587	118,497,369	55,830,836	-
Total liabilities	\$ 89,005,484	\$ 43,734,892	\$ 132,740,376	\$ 67,095,691	\$ 1,793,104
Deferred inflows of resources					
Deferred tax revenues	\$ 11,884,611	\$ -	\$ 11,884,611	\$ -	\$ -
Deferred inflows related to pensions	1,469,638	329,615	1,799,253	4,300,811	-
Deferred inflows related to OPEB	411,838	92,367	504,205	362,695	-
Total deferred inflows of resources	\$ 13,766,087	\$ 421,982	\$ 14,188,069	\$ 4,663,506	\$ -
Net position					
Net investment in capital assets	\$ 21,499,064	\$ 84,923,479	\$ 106,422,543	\$ 28,562,718	\$ -
Restricted	8,416,926	1,930,613	10,347,539	-	-
Unrestricted	(9,454,776)	42,213,029	32,758,253	(47,820,312)	-
Total net position	\$ 20,461,214	\$ 129,067,121	\$ 149,528,335	\$ (19,257,594)	\$ -

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOPEWELL, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government administration	\$ 7,348,086	\$ 1,146	\$ 253,161	\$ -
Judicial administration	3,156,908	141,325	756,703	-
Public safety	17,567,686	1,900,795	2,420,676	-
Public works	6,993,775	-	4,197,217	1,397,670
Health and welfare	7,138,560	-	4,083,622	-
Education	16,717,398	-	-	-
Parks, recreation, and cultural	2,569,491	107,619	1,510	-
Community development	1,443,587	-	71,301	-
Interest on long-term debt	2,319,540	-	-	(73,719)
Total governmental activities	\$ 65,255,031	\$ 2,150,885	\$ 11,784,190	\$ 1,323,951
Business-Type activities:				
Hopewell Regional Wastewater Facilities Fund	\$ 17,382,904	\$ 21,769,973	\$ -	\$ -
Sewer Service Fund	8,545,415	10,398,192	-	-
Solid Waste Fund	2,399,054	2,346,990	-	-
Storm Water Fund	939,392	921,134	-	21,360
Beacon Theatre Fund	1,313,555	962,219	-	-
Total Business-Type activities	\$ 30,580,320	\$ 36,398,508	\$ -	\$ 21,360
Total Primary Government	\$ 95,835,351	\$ 38,549,393	\$ 11,784,190	\$ 1,345,311
Component units:				
School Board	\$ 54,188,174	\$ 88,050	\$ 40,788,058	\$ -
Children's Services Act Board	3,554,254	-	2,419,953	-
Total component units	\$ 57,742,428	\$ 88,050	\$ 43,208,011	\$ -

General revenues:

- General property taxes
- Local sales tax
- Business license tax
- Restaurant food and lodging taxes
- Other local taxes
- Unrestricted from use of money and property
- Grants and contributions not restricted to specific programs
- Miscellaneous
- City contributions
- Total general revenues

Change in net position

Net position - beginning, as restated (Note 21)
Net position - ending

The accompanying notes to financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	School Board	Comprehensive Services Act Board	
\$ (7,093,779)	\$ -	\$ (7,093,779)	\$ -	\$ -	\$ -
(2,258,880)	-	(2,258,880)	-	-	-
(13,246,215)	-	(13,246,215)	-	-	-
(1,398,888)	-	(1,398,888)	-	-	-
(3,054,938)	-	(3,054,938)	-	-	-
(16,717,398)	-	(16,717,398)	-	-	-
(2,460,362)	-	(2,460,362)	-	-	-
(1,372,286)	-	(1,372,286)	-	-	-
(2,393,259)	-	(2,393,259)	-	-	-
<u>\$ (49,996,005)</u>	<u>\$ -</u>	<u>\$ (49,996,005)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 4,387,069	\$ 4,387,069	\$ -	\$ -	\$ -
-	1,852,777	1,852,777	-	-	-
-	(52,064)	(52,064)	-	-	-
-	3,102	3,102	-	-	-
-	(351,336)	(351,336)	-	-	-
<u>\$ -</u>	<u>\$ 5,839,548</u>	<u>\$ 5,839,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (49,996,005)</u>	<u>\$ 5,839,548</u>	<u>\$ (44,156,457)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (13,312,066)	\$ -	\$ -
-	-	-	-	-	(1,134,301)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,312,066)</u>	<u>\$ -</u>	<u>\$ (1,134,301)</u>
\$ 33,183,687	\$ -	\$ 33,183,687	\$ -	\$ -	\$ -
1,875,814	-	1,875,814	-	-	-
1,937,800	-	1,937,800	-	-	-
2,340,867	-	2,340,867	-	-	-
2,292,348	-	2,292,348	-	-	-
860,891	23,235	884,126	30	-	-
2,333,414	-	2,333,414	-	-	-
2,972,108	-	2,972,108	247,708	-	24,114
-	-	-	14,790,727	-	1,110,187
<u>\$ 47,796,929</u>	<u>\$ 23,235</u>	<u>\$ 47,820,164</u>	<u>\$ 15,038,465</u>	<u>\$ -</u>	<u>\$ 1,134,301</u>
\$ (2,199,076)	\$ 5,862,783	\$ 3,663,707	\$ 1,726,399	\$ -	\$ -
22,660,290	123,204,338	145,864,628	(20,983,993)	-	-
<u>\$ 20,461,214</u>	<u>\$ 129,067,121</u>	<u>\$ 149,528,335</u>	<u>\$ (19,257,594)</u>	<u>\$ -</u>	<u>\$ -</u>

Fund Financial Statements

CITY OF HOPEWELL, VIRGINIA

Balance Sheet
Governmental Funds
June 30, 2020

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 3,870,408	\$ 429,883	\$ 714,668	\$ 502,958	\$ 5,517,917
Receivables (net of allowance for uncollectibles):					
Taxes receivable	22,340,124	-	-	-	22,340,124
Accounts receivable	1,281,780	-	-	23,027	1,304,807
Interest receivable	287	-	-	-	287
Due from other funds	4,561,541	-	-	-	4,561,541
Due from School Board	6,618,937	-	-	-	6,618,937
Note receivable-School Board	-	-	1,000,458	-	1,000,458
Due from other governments	684,477	440,371	427,417	-	1,552,265
Inventories	53,373	-	-	-	53,373
Prepaid items	27,726	-	-	-	27,726
Restricted assets:					
Cash and cash equivalents	-	-	9,454,426	-	9,454,426
Total assets	<u>\$ 39,438,653</u>	<u>\$ 870,254</u>	<u>\$ 11,596,969</u>	<u>\$ 525,985</u>	<u>\$ 52,431,861</u>
Liabilities					
Accounts payable	\$ 727,542	\$ 20,576	\$ 305,318	\$ 99,865	\$ 1,153,301
Accrued liabilities	250,964	31,933	-	51,195	334,092
Unearned revenue	1,965,568	-	-	-	1,965,568
Due to other funds	-	377,791	3,159,335	32,580	3,569,706
Due to School Board	-	-	3,008,873	-	3,008,873
Due to other governments	662,158	-	-	105,364	767,522
Total liabilities	<u>\$ 3,606,232</u>	<u>\$ 430,300</u>	<u>\$ 6,473,526</u>	<u>\$ 289,004</u>	<u>\$ 10,799,062</u>
Deferred inflows of resources					
Unavailable tax revenues	\$ 11,884,611	\$ -	\$ -	\$ -	\$ 11,884,611
Unavailable tax revenues	9,092,752	-	-	-	9,092,752
Total deferred inflows of resources	<u>\$ 20,977,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,977,363</u>
Fund balances:					
Nonspendable:					
Prepaid items	\$ 27,726	\$ -	\$ -	\$ -	\$ 27,726
Inventories	53,373	-	-	-	53,373
Due from School Board	-	-	1,000,458	-	1,000,458
Restricted for capital projects	-	-	9,454,426	-	9,454,426
Assigned:					
Fire department equipment	160,000	-	-	-	160,000
Rainy day emergency	5,261,768	-	-	-	5,261,768
Perpetual care	1,037,346	-	-	-	1,037,346
Self-insurance	500,000	-	-	-	500,000
VPA	-	344,831	-	-	344,831
Anti-Litter	-	-	-	99,521	99,521
Unassigned	7,814,845	95,123	(5,331,441)	137,460	2,715,987
Total fund balances	<u>\$ 14,855,058</u>	<u>\$ 439,954</u>	<u>\$ 5,123,443</u>	<u>\$ 236,981</u>	<u>\$ 20,655,436</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 39,438,653</u>	<u>\$ 870,254</u>	<u>\$ 11,596,969</u>	<u>\$ 525,985</u>	<u>\$ 52,431,861</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOPEWELL, VIRGINIA

**Reconciliation of the Balance Sheet of the Governmental Funds to the
Statement of Net Position
June 30, 2020**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	20,655,436
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		68,072,117
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned in the funds.		
Uncollected taxes receivable		9,092,752
Deferred items:		
Deferred outflow related to debt	\$	1,180,713
Deferred outflow related to pension		3,823,658
Deferred inflow related to pensions		(1,469,638)
Deferred outflow related to OPEB		4,303,015
Deferred inflows related to OPEB		(411,838)
		<u>7,425,910</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds payable		(47,044,693)
Capital leases		(709,073)
Landfill closure liability		(611,736)
Net pension liability		(15,880,332)
Net OPEB liability		(18,550,715)
Compensated absences		(1,355,326)
Accrued interest payable		(633,127)
		<u>(84,785,002)</u>
Net position of governmental activities	\$	<u><u>20,461,214</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOPEWELL, VIRGINIA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 31,503,195	\$ -	\$ -	\$ -	\$ 31,503,195
Other local taxes	6,105,962	-	2,340,867	-	8,446,829
Permits, privilege fees, and regulatory licenses	339,387	-	-	-	339,387
Fines and forfeitures	1,049,027	-	-	-	1,049,027
Revenues from use of money and property	83,492	-	752,536	24,863	860,891
Charges for services	654,852	-	-	107,619	762,471
Miscellaneous	2,740,681	1,462	200,554	29,411	2,972,108
Recovered costs	382,500	-	-	-	382,500
Intergovernmental revenues:					
Commonwealth	9,347,210	1,299,684	1,307,445	7,347	11,961,686
Federal	146,340	2,783,938	16,506	150,585	3,097,369
Total revenues	<u>\$ 52,352,646</u>	<u>\$ 4,085,084</u>	<u>\$ 4,617,908</u>	<u>\$ 319,825</u>	<u>\$ 61,375,463</u>
EXPENDITURES					
Current:					
General government administration	\$ 6,295,920	\$ -	\$ -	\$ -	\$ 6,295,920
Judicial administration	2,648,229	-	-	-	2,648,229
Public safety	15,701,870	-	-	-	15,701,870
Public works	4,847,473	-	-	4,169	4,851,642
Health and welfare	1,098,419	5,504,742	-	-	6,603,161
Education	13,917,451	-	-	-	13,917,451
Parks, recreation, and cultural	642,515	-	-	1,663,546	2,306,061
Community development	968,610	-	-	383,380	1,351,990
Nondepartmental	1,588,595	-	-	-	1,588,595
Capital projects	-	-	4,094,525	-	4,094,525
Debt service:					
Principal retirement	-	-	3,744,025	-	3,744,025
Interest and other fiscal charges	-	-	2,073,806	-	2,073,806
Total expenditures	<u>\$ 47,709,082</u>	<u>\$ 5,504,742</u>	<u>\$ 9,912,356</u>	<u>\$ 2,051,095</u>	<u>\$ 65,177,275</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,643,564</u>	<u>\$ (1,419,658)</u>	<u>\$ (5,294,448)</u>	<u>\$ (1,731,270)</u>	<u>\$ (3,801,812)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	\$ -	\$ 982,243	\$ 1,283,440	\$ 1,715,560	\$ 3,981,243
Operating transfers out	(3,981,243)	-	-	-	(3,981,243)
Total other financing sources (uses), net	<u>\$ (3,981,243)</u>	<u>\$ 982,243</u>	<u>\$ 1,283,440</u>	<u>\$ 1,715,560</u>	<u>\$ -</u>
Net change in fund balances	\$ 662,321	\$ (437,415)	\$ (4,011,008)	\$ (15,710)	\$ (3,801,812)
Fund balance - beginning, as restated	14,192,737	877,369	9,134,451	252,691	24,457,248
Fund balance - ending	<u>\$ 14,855,058</u>	<u>\$ 439,954</u>	<u>\$ 5,123,443</u>	<u>\$ 236,981</u>	<u>\$ 20,655,436</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOPEWELL, VIRGINIA

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2020**

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

Net change in fund balances per Exhibit 5 - total governmental funds \$ (3,801,812)

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

Capital outlay	\$	3,674,254	
Jointly-owned assets adjustment		(2,487,213)	
Depreciation expense		<u>(3,873,669)</u>	(2,686,628)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes			1,680,492
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on debt	\$	3,744,025	
Amortization of deferred amount of refunding		(275,566)	<u>3,468,459</u>

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.

Decrease in interest payable		29,832	
Decrease in net OPEB liability		(4,655,350)	
Decrease in net pension liability		(2,093,897)	
Decrease in pension related deferred outflows		1,738,113	
Increase in pension related deferred inflows		614,206	
Increase in OPEB related deferred outflows		3,619,817	
Increase in OPEB related deferred inflows		106,616	
Increase in landfill closure liability		(6,002)	
Increase in compensated absences		<u>(212,922)</u>	<u>(859,587)</u>

Change in Net Position of Governmental Activities \$ (2,199,076)

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOPEWELL, VIRGINIA

Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-Type Activities - Enterprise Funds					Total
	Hopewell Regional Wastewater Treatment Facilities Fund	Sewer Service Fund	Solid Waste Fund	Storm Water Fund	Beacon Theatre Fund	
Assets						
Current assets:						
Cash and cash equivalents	\$ 14,636,216	\$ 18,373,581	\$ 2,370,363	\$ 74,853	\$ 43,825	\$ 35,498,838
Accounts receivable, net of allowance for uncollectibles	5,517,416	2,589,471	466,786	250,348	169,146	8,993,167
Due from Commonwealth of Virginia	-	-	-	1,018,886	-	1,018,886
Notes receivable	-	61,188	-	-	-	61,188
Interest receivable	-	500	105	31	-	636
Inventories	1,505,515	-	-	-	-	1,505,515
Total current assets	\$ 21,659,147	\$ 21,024,740	\$ 2,837,254	\$ 1,344,118	\$ 212,971	\$ 47,078,230
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	1,595,839	3,715,090	601,372	-	-	5,912,301
Total restricted assets	\$ 1,595,839	\$ 3,715,090	\$ 601,372	\$ -	\$ -	\$ 5,912,301
Note receivable, net of current portion	\$ -	\$ 2,611,287	\$ -	\$ -	\$ -	\$ 2,611,287
Capital assets:						
Land	216,026	97,920	-	113,710	284,473	712,129
Utility plant in service and buildings	91,851,879	501,878	-	-	5,210,027	97,563,784
Sewer main improvements	-	41,464,415	-	3,287,373	-	44,751,788
Machinery and equipment	54,659,167	1,133,026	51,075	236,062	599,797	56,679,127
Construction in progress	5,076,152	36,933	-	201,650	-	5,314,735
Accumulated depreciation	(70,557,137)	(15,991,910)	(51,075)	(319,044)	(1,329,958)	(88,249,124)
Total capital assets	\$ 81,246,087	\$ 27,242,262	\$ -	\$ 3,519,751	\$ 4,764,339	\$ 116,772,439
Total noncurrent assets	\$ 82,841,926	\$ 33,568,639	\$ 601,372	\$ 3,519,751	\$ 4,764,339	\$ 125,296,027
Total assets	\$ 104,501,073	\$ 54,593,379	\$ 3,438,626	\$ 4,863,869	\$ 4,977,310	\$ 172,374,257
Deferred outflow of resources						
Loss on refunding	\$ 18,910	\$ -	\$ -	\$ -	\$ -	\$ 18,910
Pensions	696,669	70,823	17,495	72,610	-	857,597
OPEB	784,001	79,701	19,650	81,714	-	965,066
Total deferred outflow of resources	\$ 1,499,580	\$ 150,524	\$ 37,145	\$ 154,324	\$ -	\$ 1,841,573
Liabilities						
Current liabilities:						
Accounts payable	\$ 1,593,651	\$ 336,894	\$ 154,125	\$ 81,267	\$ -	\$ 2,165,937
Accrued liabilities	88,530	22,295	16,558	137,915	(10,019)	255,279
Refund credits payable	737,748	-	-	-	-	737,748
Accrued interest payable	87,373	506,514	-	-	-	593,887
Due to other funds	27,500	-	-	964,335	-	991,835
Compensated absences	20,258	2,367	9	1,535	-	24,169
Unearned revenues	-	-	-	-	169,146	169,146
Bonds payable	966,701	588,438	-	-	-	1,555,139
Total current liabilities	\$ 3,521,761	\$ 1,456,508	\$ 170,692	\$ 1,185,052	\$ 159,127	\$ 6,493,140
Noncurrent liabilities:						
Bonds payable, net of current portion	\$ 8,155,680	\$ 22,138,141	\$ -	\$ -	\$ -	\$ 30,293,821
Net pension liability	2,893,390	294,139	72,655	301,566	-	3,561,750
Net OPEB liability	3,379,905	343,598	84,712	352,274	-	4,160,489
Compensated absences, net of current portion	182,323	21,301	84	13,819	-	217,527
Total noncurrent liabilities	\$ 14,611,298	\$ 22,797,179	\$ 157,451	\$ 667,659	\$ -	\$ 38,233,587
Total liabilities	\$ 18,133,059	\$ 24,253,687	\$ 328,143	\$ 1,852,711	\$ 159,127	\$ 44,726,727
Deferred inflow of resources						
Pensions	\$ 267,765	\$ 27,220	\$ 6,723	\$ 27,907	\$ -	\$ 329,615
OPEB	75,036	7,628	1,882	7,821	-	92,367
Total deferred inflows of resources	\$ 342,801	\$ 34,848	\$ 8,605	\$ 35,728	\$ -	\$ 421,982
Net position						
Net investment in capital assets	\$ 72,123,706	\$ 4,515,683	\$ -	\$ 3,519,751	\$ 4,764,339	\$ 84,923,479
Restricted	-	1,930,613	-	-	-	1,930,613
Unrestricted	15,401,087	24,009,072	3,139,023	(389,997)	53,844	42,213,029
Total net position	\$ 87,524,793	\$ 30,455,368	\$ 3,139,023	\$ 3,129,754	\$ 4,818,183	\$ 129,067,121

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOPEWELL, VIRGINIA

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds					Total
	Hopewell Regional Wastewater Treatment Facilities Fund	Sewer Service Fund	Solid Waste Fund	Storm Water Fund	Beacon Theatre Fund	
OPERATING REVENUES						
Charges for services:						
Wastewater treatment revenues	\$ 21,769,973	\$ -	\$ -	\$ -	\$ -	\$ 21,769,973
Sewer revenues	-	10,398,192	-	-	-	10,398,192
Refuse collection	-	-	2,346,990	-	-	2,346,990
Fees	-	-	-	921,134	-	921,134
Rental income	-	-	-	-	962,219	962,219
Total operating revenues	<u>\$ 21,769,973</u>	<u>\$ 10,398,192</u>	<u>\$ 2,346,990</u>	<u>\$ 921,134</u>	<u>\$ 962,219</u>	<u>\$ 36,398,508</u>
OPERATING EXPENSES						
Personnel services	\$ 3,324,305	\$ 377,472	\$ 82,597	\$ 304,139	\$ -	\$ 4,088,513
Fringe benefits	1,202,974	126,428	89,768	208,483	-	1,627,653
Contractual services	2,273,087	2,784,873	1,572,052	103,816	714,148	7,447,976
Administrative services	5,528	-	1,500	119	1,989	9,136
Materials and supplies	242,169	183,571	3,092	-	43,141	471,973
Repairs and maintenance	274,949	791,587	125,037	15,619	2,646	1,209,838
Utilities	2,693,532	121,869	17,279	-	27,950	2,860,630
Fuel	8,479	8,165	1,244	5,757	-	23,645
Insurance	-	-	-	-	12,984	12,984
Chemicals	3,636,308	-	-	-	-	3,636,308
Miscellaneous	486,601	1,350,835	503,177	97,759	288,214	2,726,586
Depreciation	2,906,470	1,737,683	3,308	203,700	222,483	5,073,644
Total operating expenses	<u>\$ 17,054,402</u>	<u>\$ 7,482,483</u>	<u>\$ 2,399,054</u>	<u>\$ 939,392</u>	<u>\$ 1,313,555</u>	<u>\$ 29,188,886</u>
Operating income (loss)	<u>\$ 4,715,571</u>	<u>\$ 2,915,709</u>	<u>\$ (52,064)</u>	<u>\$ (18,258)</u>	<u>\$ (351,336)</u>	<u>\$ 7,209,622</u>
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	\$ 106,044	\$ (83,408)	\$ 599	\$ -	\$ -	\$ 23,235
Loss on disposal of assets	-	-	-	-	-	-
Governmental grants	-	-	-	21,360	-	21,360
Interest expense	(328,502)	(1,062,932)	-	-	-	(1,391,434)
Total nonoperating revenues (expenses), net	<u>\$ (222,458)</u>	<u>\$ (1,146,340)</u>	<u>\$ 599</u>	<u>\$ 21,360</u>	<u>\$ -</u>	<u>\$ (1,346,839)</u>
Income (loss) before contributions	<u>\$ 4,493,113</u>	<u>\$ 1,769,369</u>	<u>\$ (51,465)</u>	<u>\$ 3,102</u>	<u>\$ (351,336)</u>	<u>\$ 5,862,783</u>
Change in net position	<u>\$ 4,493,113</u>	<u>\$ 1,769,369</u>	<u>\$ (51,465)</u>	<u>\$ 3,102</u>	<u>\$ (351,336)</u>	<u>\$ 5,862,783</u>
Total net position - beginning, as restated	83,031,680	28,685,999	3,190,488	3,126,652	5,169,519	123,204,338
Total net position - ending	<u>\$ 87,524,793</u>	<u>\$ 30,455,368</u>	<u>\$ 3,139,023</u>	<u>\$ 3,129,754</u>	<u>\$ 4,818,183</u>	<u>\$ 129,067,121</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOPEWELL, VIRGINIA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

Business-Type Activities - Enterprise Funds

	Hopewell Regional Wastewater Treatment Facilities Fund	Sewer Service Fund	Solid Waste Fund	Storm Water Fund	Beacon Theatre Fund	Total
Cash flows from operating activities						
Receipts from customers and users	\$ 20,385,687	\$ 10,025,589	\$ 2,341,289	\$ 946,100	\$ 962,220	\$ 34,660,885
Payments to suppliers	(9,031,559)	(5,032,183)	(2,182,620)	(308,397)	(1,091,083)	(17,645,842)
Payments to employees	(4,401,672)	(516,517)	(134,869)	(411,066)	-	(5,464,124)
Net cash provided by (used in) operating activities	<u>\$ 6,952,456</u>	<u>\$ 4,476,889</u>	<u>\$ 23,800</u>	<u>\$ 226,637</u>	<u>\$ (128,863)</u>	<u>\$ 11,550,919</u>
Cash flows from capital and related financing activities						
Purchase of capital assets	\$ (3,309,227)	\$ (431,880)	\$ -	\$ (124,452)	\$ (98,239)	\$ (3,963,798)
Capital contributions and grants	-	-	-	21,360	-	21,360
Principal payments on bonds and refunding	(951,702)	(573,437)	-	-	-	(1,525,139)
Interest payments	(321,069)	(1,056,129)	-	-	-	(1,377,198)
Net cash provided by (used in) capital and related financing activities	<u>\$ (4,581,998)</u>	<u>\$ (2,061,446)</u>	<u>\$ -</u>	<u>\$ (103,092)</u>	<u>\$ (98,239)</u>	<u>\$ (6,844,775)</u>
Cash flows from investing activities						
Interest and dividends received	\$ 106,044	\$ (83,408)	\$ 599	\$ -	\$ -	\$ 23,235
Net cash provided by investing activities	<u>\$ 106,044</u>	<u>\$ (83,408)</u>	<u>\$ 599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,235</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 2,476,502</u>	<u>\$ 2,332,035</u>	<u>\$ 24,399</u>	<u>\$ 123,545</u>	<u>\$ (227,102)</u>	<u>\$ 4,729,379</u>
Cash and cash equivalents - beginning, including restricted	<u>\$ 13,755,553</u>	<u>\$ 19,756,636</u>	<u>\$ 2,947,336</u>	<u>\$ (48,692)</u>	<u>\$ 270,927</u>	<u>\$ 36,681,760</u>
Cash and equivalents - ending, including restricted	<u>\$ 16,232,055</u>	<u>\$ 22,088,671</u>	<u>\$ 2,971,735</u>	<u>\$ 74,853</u>	<u>\$ 43,825</u>	<u>\$ 41,411,139</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 4,715,571	\$ 2,915,709	\$ (52,064)	\$ (18,258)	\$ (351,336)	\$ 7,209,622
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	2,906,470	1,737,683	3,308	203,700	222,483	5,073,644
Pension and OPEB related	98,310	(13,849)	37,900	95,675	-	218,036
(Increase) decrease in accounts receivable	(1,384,286)	(372,603)	(5,701)	24,966	16,437	(1,721,187)
(Increase) decrease in inventories	(116,583)	-	-	-	-	(116,583)
Increase (decrease) in accounts payable and accrued liabilities	705,677	208,717	40,761	(85,327)	(11)	869,817
Increase (decrease) in compensated absences	27,297	1,232	(404)	5,881	-	34,006
Increase (decrease) in unearned revenues	-	-	-	-	(16,436)	(16,436)
Total adjustments	<u>\$ 2,236,885</u>	<u>\$ 1,561,180</u>	<u>\$ 75,864</u>	<u>\$ 244,895</u>	<u>\$ 222,473</u>	<u>\$ 4,341,297</u>
Net cash provided by (used in) operating activities	<u>\$ 6,952,456</u>	<u>\$ 4,476,889</u>	<u>\$ 23,800</u>	<u>\$ 226,637</u>	<u>\$ (128,863)</u>	<u>\$ 11,550,919</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOPEWELL, VIRGINIA

Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2020

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 223,028
Total assets	<u>\$ 223,028</u>
Liabilities	
Amounts held for others	\$ 223,028
Total liabilities	<u>\$ 223,028</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements As of June 30, 2020

Note 1 – Summary of Significant Accounting Policies

The City of Hopewell, Virginia (the “City”) was incorporated in 1916 and its current charter was granted in 1950. The City operates under a Council/Manager form of government and provides a full range of services to its citizens. These services include public safety (police and fire), public works, health and welfare services, parks, recreation and cultural, education, community and economic development, and judicial and general administrative services. The City owns and operates sewer, wastewater, solid waste and storm water treatment systems.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”), as specified by the Governmental Accounting Standards Board (“GASB”) and the specifications promulgated by the Auditor of Public Accounts (“APA”) of the Commonwealth of Virginia (the “Commonwealth”). The more significant of the City’s accounting policies are described below. Unless otherwise stated, the accounting policies of the School Board and Children’s Services Act Board Component Unit are similar to those of the City.

A. Financial Statement Presentation

The City’s financial report is prepared in accordance with GAAP which prescribes that the following sections be presented:

Management’s Discussion and Analysis - GAAP requires the financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of management’s discussion and analysis (“MD&A”).

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Primary Government and its component units. For the most part, the effect of inter-fund 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 support. Likewise, the Primary Government is reported separately from certain legally separate component units for which the Primary Government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the Primary Government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of “using up” capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

A. Financial Statement Presentation: (Continued)

Government-Wide and Fund Financial Statements (Continued)

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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 are not included among program revenues as they are not levied for a particular program.

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 individual enterprise funds are reported as separate columns in the fund financial statements.

Required Supplementary Information ("RSI") - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GAAP reporting model, governments provide budgetary comparison information in their annual reports including the original budget, final budget and actual results. In addition to budgetary information, the RSI section also presents trend information related to the City and School Board's pension and other postemployment employee benefit programs.

B. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a Primary Government's reporting entity for the basic financial statements is financial accountability wherein the entity is both fiscally dependent on the Primary Government and provides either a benefit or creates a burden on the Primary Government. These financial statements present the City (Primary Government) and its component units. Each discretely presented component unit is reported in a separate column to emphasize that these units are legally separate from the City and each represents a functionally independent operation. These component units are fiscally dependent on the City and provide services primarily to the citizens of Hopewell.

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Component Units

Blended

During fiscal year 2012, the City formed a non-stock corporation named Beacon Theatre 2012 Manager Inc. (“Beacon”), which it owns 100%, to hold, construct, rehabilitate, manage, and operate the Beacon Theatre. Beacon Theatre 2012 Manager Inc. formed an LLC named Beacon Theatre 2012 LLC (“LLC”), which owns 99% of the LLC with the other 1% to be owned by future tax credit partner(s) when tax credits are sold. As the City appoints all members of the Beacon Theatre 2012 LLC Board of Directors, and the two entities have a financial benefit/burden relationship, the Beacon Theatre 2012 LLC is reported as a blended proprietary enterprise component unit of the City. Additionally, the City conveyed the related property to LLC for tax credit purposes during fiscal year 2013.

Discretely Presented

The School Board members, appointed by the members of the City Council, are responsible for the operations of the City’s School System within the City boundaries. The School Board is fiscally dependent on the City, which has the ability to approve its budget and any amendments.

The primary funding of the School Board is from the General Fund of the City. As the School Board does not issue a separate financial report, the financial statements of the School Board are presented discretely in their own column within the City’s government-wide financial statements.

The Children’s Services Act Board (“CSA”) is responsible for providing family and youth services to the citizens of the City in accordance with the State Children’s Services Act. The CSA consists of members appointed by the City Council. The CSA is fiscally dependent on the City (i.e., the City Council must appropriate monies for this board to carry out its legal obligations), and the CSA has no power or authority to generate any revenue for its purposes required under state law. As the CSA does not issue a separate financial report, the financial statements of the CSA are presented discretely in their own column within the City’s government-wide financial statements.

D. Other Related Organizations

Joint Ventures - The City is a participant with six other localities in a joint venture to operate the Riverside Regional Jail Authority (the “Authority”). The Authority is governed by a seven-member board comprised of one appointee from each locality. Each locality is obligated by contract to house its inmate population with the Authority up to its authorized slots. The City does not retain a financial interest in the Authority. The City provided funding in the amount of \$2,278,840 during fiscal year 2020.

Financial statements of the Authority can be obtained at its administrative offices at Superintendent, Riverside Regional Jail Authority, and P.O. Box 1041, Hopewell, Virginia 23860.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Other Related Organizations: (Continued)

The City is a participant with the County of Dinwiddie and County of Prince George in a joint venture to operate the Appomattox Regional Library (the “Library”). The Library is governed by an 11-member board comprised of five appointees from Hopewell and three each from Dinwiddie and Prince George. Each locality is obligated by contract to fund a percentage of the Library’s approved budget. In accordance with the joint venture agreement, the City remitted \$630,515 the Library for fiscal year 2020. The City has an ongoing financial responsibility to fund the Library but does not retain a financial interest in the Library. Financial statements for the Library can be obtained at its administrative offices at 245 East Cawson Street, Hopewell, Virginia 23860.

Jointly Governed Organizations - The City participates with eight other localities in the District 19 Community Services Board. The City also participates with five other localities in Virginia’s Gateway Region, a regional economic development organization. The City provided funding of \$129,841 and \$39,760, respectively, during fiscal year 2020 to these entities. The City also participates with six other localities in the Crater Youth Care Commission and provided funding in the amount of \$363,456 during fiscal year 2020.

Related Organizations - The City is also responsible for appointing members of the boards of two organizations, but the City’s accountability for these organizations does not extend beyond making these appointments. Related organizations during the year ended June 30, 2020 are Economic Development Authority and Hopewell Redevelopment and Housing Authority.

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with GAAP as applicable to governmental units. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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 in the fiscal year when all eligibility requirements imposed by the provider have been satisfied. Fiduciary funds financial statements are reported on the accrual basis of accounting and do not measure operations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Note 1—Summary of Significant Accounting Policies: (Continued)

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. 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 60 days of the end of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the Commonwealth or public utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the Commonwealth or public utility, which is generally within two months preceding receipt by the City.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when all eligibility requirements have been satisfied. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds - Governmental Funds are those through which most governmental functions typically are financed. The City reports the General, Capital Projects, and Virginia Public Assistance Funds as major governmental funds.

General Fund - The General Fund is the primary operating fund of the City. This fund is used to account for and report all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the School Board.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

Special Revenue Funds - Special Revenue Funds account for and report the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of one major fund (Virginia Public Assistance) and three non-major funds (Recreation, Community Development Block Grant, and Anti-Litter). The Virginia Public Assistance Fund accounts for the social services programs of the City and is funded primarily through intergovernmental revenues.

Capital Projects Fund - The Capital Projects Fund accounts for and report financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds.

2. Proprietary Funds - The Proprietary Funds account for operations that are financed in a manner similar to that of private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds - Enterprise 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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City's major Enterprise Funds consist of the following: Hopewell Regional Wastewater Treatment Facilities (HRWTF), Sewer Service, Solid Waste, Storm Water and the Beacon Theatre.

3. Fiduciary Funds - (Trust and Agency Funds) - These funds account for assets held by the City unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The City's fiduciary funds are the Special Welfare Fund, Healthy Families Fund, and Police Evidence Fund, (each agency funds), which utilize the accrual basis of accounting, and are not included in the government-wide financial statements. The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

G. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

H. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “due to/from other funds” (i.e. the current portions of the inter-fund loans).

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$215,887 at June 30, 2020 and is comprised solely of property taxes.

Real and Personal Property Tax Data - The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	June 15/December 5 50% each date	February 15
Lien Date	January 1	January 1

I. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements for the City and its component units. Capital assets are defined by the City as land, buildings, infrastructure, and equipment with an initial individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Primary Government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings	50
Plant, equipment, and system	20-30
Motor vehicles	5
Equipment	3-10
Infrastructure	30

Note 1—Summary of Significant Accounting Policies: (Continued)

J. Deferred Outflows and Inflows of Resources

In addition to assets, the Balance Sheet and the Statement of Net Position may report a separate section for deferred outflows of resources, which represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows and inflows of resources related to pensions, other postemployment benefits and amounts related to deferred charges on bond refundings in the government-wide and the Proprietary funds' Statement of Net Position .

In addition to liabilities, the Balance Sheet and the Statement of Net Position may report a separate section for deferred inflows of resources representing an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City reports deferred inflows of resources related to deferred and unavailable revenues on the Balance Sheet resulting from revenue that is not recognized solely because it is not yet considered to be available and property taxes received prior to the period they are intended to finance. The Government-wide and the Proprietary Funds' Statement of Net Position report amounts related to deferred charges on bond refundings and pensions.

K. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Virginia Retirement System (VRS) participation and related additions to/deductions from the City's related net fiduciary position have been determined on the same basis as they were reported by the VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

N. Fund Balance

In the governmental fund financial statements, fund balance may be composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The governmental fund types classify fund balances as follows:

- **Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (e.g., inventory) or (b) legally or contractually required to be maintained intact (e.g., long-term amount of loans/note receivable). The noncurrent portion of the Capital Projects Fund’s Due from School Board is offset equally by nonspendable fund balance to indicate that the asset does not constitute an expendable available financial resource and, therefore, is not available for appropriation.
- **Restricted Fund Balance** – This classification includes amounts that are restricted to specific purposes by external parties, constitutional provisions, or imposed by creditors (e.g., bond covenants).
- **Committed Fund Balance** – This portion of fund balance can only be used for specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council, before the close of the fiscal year and by majority vote of the City Council. Any changes or removal of specific purpose requires majority action by the governing body.
- **Assigned Fund Balance** – The portion of fund balance that the City intends to use for specific purposes as expressed by the governing body itself, the budget document, or delegated official, the City Manager. Fund balances in the General Fund are assigned by resolution of the City Council. For all government funds except the General Fund, assigned fund balances represent the amount that is not committed, restricted, or nonspendable. Specifically, the Rainy Day Emergency/Stabilization Reserve was approved by Council in 2003 and was created by segregating a portion of the General Fund Unassigned Fund Balance. The purpose of this reserve is to provide an easy mechanism to tap reserves to address temporary revenue shortfalls resulting from temporary circumstances (e.g. economic cycles, weather-related emergencies, etc.). The City Council set the target at 10% of the next fiscal year’s General Fund budget appropriation. The Rainy Day Emergency/Stabilization Reserve may be used in its entirety with City Council approval; however, replenishing the reserve will constitute the first priority for use of year-end fund balance in the General Fund.
- **Unassigned Fund Balance** – The portion of the fund balance available for any purpose. Includes all spendable amounts not classified as nonspendable, restricted, committed, or assigned. The General Fund is the only fund that would report a positive amount in the unassigned fund balance.

O. Net Position

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets less accumulated depreciation less any outstanding debt and deferred inflows and outflows related to the acquisition, construction, or improvement of those assets.

Note 1–Summary of Significant Accounting Policies: (Continued)

P. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Q. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

R. Inventory

Inventory is valued at cost using the weighted average method. Inventory consists of expendable supplies held for consumption and is recorded as expenditures when used (consumption method). In the Governmental Funds, inventory is equally offset by nonspendable fund balance which indicates that it does not constitute “currently expendable financial resources”.

S. Restricted Assets

The City reported restricted assets on the Balance Sheet in a governmental fund and Statement of Net Position of the proprietary funds of \$9,454,426 and \$5,912,301 respectively that represents bond proceeds that have not been spent at June 30, 2020 in accordance with the terms of the bond.

Note 2–Deposits and Investments

A. Deposits

All cash of the Primary Government and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 2—Deposits and Investments: (Continued)

B. Investments

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (“World Bank”), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers’ acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (“LGIP”).

C. Credit Risk of Debt Securities

The City’s rated debt investments as of June 30, 2020 were rated by Standard & Poor’s and the ratings are presented below using the Standard & Poor’s rating scale. The City’s investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed 35% of the investment portfolio.

Investment Type	Total	Fair Quality Ratings			
		AAA	AAAm	AA+	AA-
LGIP	\$ 16,226,486	\$ -	\$ 16,226,486	\$ -	\$ -
SNAP	1,406,863	-	1,406,863	-	-
U.S. Government Issues	12,803,966	-	-	12,803,966	-
Corporate Bonds	-	-	-	-	-
Total	\$ 30,437,315	\$ -	\$ 17,633,349	\$ 12,803,966	\$ -

D. External Investment Pools

The value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool (“SNAP”) is the same as the value of the pool shares. As LGIP and SNAP are not SEC registered, regulatory oversight of the pools rest with the Virginia State Treasury. LGIP and SNAP are amortized cost basis portfolios. There are no withdrawal limitations or restrictions imposed on participants.

E. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2020:

- Corporate Bonds of \$.70 million are valued using quoted market prices (Level 1 inputs)
- U.S. Government Issues of \$4.5 million are valued using a matrix pricing model (Level 2 inputs)

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 2—Deposits and Investments: (Continued)

F. Interest Rate Risk

According to the City’s investment policy, at no time shall securities with maturity dates in excess of six months exceed 10% of the total budget of the City for the current fiscal year.

Investment Type	Investment Maturities (in Years)		
	Fair Value	Less than 1 Year	1-5 Years
U.S. Government Issues	\$ 12,803,966	\$ 2,806,152	\$ 9,997,814
Corporate Bonds	-	-	-
Total	<u>\$ 12,803,966</u>	<u>\$ 2,806,152</u>	<u>\$ 9,997,814</u>

Note 3—Due from Other Governments and Component Units

At June 30, 2020, the City had receivables from other governments as follows:

	General Fund	VPA Fund	Capital Projects Fund	Storm Water Fund	Primary Government	Component Units	
						School Board	CSA Board
Commonwealth of Virginia:							
Local sales tax	\$ 357,586	\$ -	\$ -	\$ -	\$ 357,586	\$ 575,707	\$ -
Communications tax	114,701	-	-	-	114,701	-	-
VPA funds	-	440,371	-	-	440,371	-	-
Consumption and utility tax	-	-	-	-	-	-	-
Constitutional officer reimbursements	100,169	-	-	-	100,169	-	-
Court fines and fees	-	-	-	-	-	-	-
Railroad rolling stock tax	23,683	-	-	-	23,683	-	-
Other State grants	88,338	-	-	1,018,886	1,107,224	-	-
Children's Services Act Board	-	-	-	-	-	-	765,154
Federal Government							
School fund grants	-	-	-	-	-	1,854,888	-
Economic Development Authority							
	-	-	427,417	-	427,417	-	-
Total due from other governments	<u>\$ 684,477</u>	<u>\$ 440,371</u>	<u>\$ 427,417</u>	<u>\$ 1,018,886</u>	<u>\$ 2,571,151</u>	<u>\$ 2,430,595</u>	<u>\$ 765,154</u>

CITY OF HOPEWELL, VIRGINIA

**Notes to Financial Statements
As of June 30, 2020 (Continued)**

Note 4–Interfund Obligations

The outstanding balances between funds result mainly from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditure occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

At June 30, 2020 the due to and from funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 3,159,335
General Fund	Virginia Public Assistance Fund	377,791
General Fund	HRWTF	27,500
General Fund	Storm Water	964,335
General Fund	Other Governmental Funds - Recreational	12,749
General Fund	Other Governmental Funds - CDBG	19,831
		<u>\$ 4,561,541</u>

Note: Represents the reclass of cash deficits in the nonmajor governmental funds to due to the General Fund and a reduction of cash in the General Fund.

Note 5–Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2020</u>
Government Activities:				
Capital assets not subject to depreciation:				
Land	\$ 7,374,464	\$ 7,500	\$ -	\$ 7,381,964
Work in progress	818,679	2,171,357	(783,133)	2,206,903
Total capital assets not subject to depreciation	<u>\$ 8,193,143</u>	<u>\$ 2,178,857</u>	<u>\$ (783,133)</u>	<u>\$ 9,588,867</u>
Capital assets subject to depreciation:				
Buildings, improvements, and infrastructure	\$ 60,674,031	\$ 2,081,471	\$ -	\$ 62,755,502
Machinery and equipment	17,802,640	197,059	(351,422)	17,648,277
Jointly-owned assets	24,958,117	-	(2,643,580)	22,314,537
Total capital assets being depreciated	<u>\$ 103,434,788</u>	<u>\$ 2,278,530</u>	<u>\$ (2,995,002)</u>	<u>\$ 102,718,316</u>
Less accumulated depreciation for:				
Buildings, improvements, and infrastructure	\$ (23,429,835)	\$ (2,064,955)	\$ -	\$ (25,494,790)
Machinery and equipment	(11,371,439)	(1,495,980)	351,422	(12,515,997)
Jointly-owned assets	(6,067,912)	(312,734)	156,367	(6,224,279)
Total accumulated depreciation	<u>\$ (40,869,186)</u>	<u>\$ (3,873,669)</u>	<u>\$ 507,789</u>	<u>\$ (44,235,066)</u>
Total capital assets being depreciated, net	<u>\$ 62,565,602</u>	<u>\$ (1,595,139)</u>	<u>\$ (2,487,213)</u>	<u>\$ 58,483,250</u>
Capital assets, net	<u>\$ 70,758,745</u>	<u>\$ 583,718</u>	<u>\$ (3,270,346)</u>	<u>\$ 68,072,117</u>

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 5—Capital Assets: (Continued)

Component Unit - School Board	Balance June 30, 2019	Increase	Decrease	Balance June 30, 2020
Government Activities:				
Capital assets not subject to depreciation:				
Land	\$ 474,629	\$ -	\$ -	\$ 474,629
Total capital assets not subject to depreciation	<u>\$ 474,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 474,629</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 65,604,314	\$ 183,951	\$ -	\$ 65,788,265
Machinery and equipment	9,843,830	490,683	-	10,334,513
Jointly-owned assets	(24,958,117)	-	1,029,643	(23,928,474)
Total capital assets being depreciated	<u>\$ 50,490,027</u>	<u>\$ 674,634</u>	<u>\$ 1,029,643</u>	<u>\$ 52,194,304</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ (22,896,301)	\$ (1,452,917)	\$ -	\$ (24,349,218)
Machinery and equipment	(5,374,030)	(607,246)	-	(5,981,276)
Jointly-owned assets	6,067,912	312,734	(156,367)	6,224,279
Total accumulated depreciation	<u>\$ (22,202,419)</u>	<u>\$ (1,747,429)</u>	<u>\$ (156,367)</u>	<u>\$ (24,106,215)</u>
Total capital assets being depreciated, net	<u>\$ 28,287,608</u>	<u>\$ (1,072,795)</u>	<u>\$ 873,276</u>	<u>\$ 28,088,089</u>
Capital assets, net	<u>\$ 28,762,237</u>	<u>\$ (1,072,795)</u>	<u>\$ 873,276</u>	<u>\$ 28,562,718</u>

* See Footnote 16 for further detail.

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government administration	\$ 650,040
Judicial administration	352,928
Public safety	1,043,375
Public works	1,247,138
Health and welfare	149,374
Education	312,734
Parks, recreation, and cultural	118,080
Total governmental activities	<u>\$ 3,873,669</u>
Component Unit: School Board	<u>\$ 1,747,429</u>

Under Section 15 of *The Code of Virginia 1950*, as amended, local governments have a “tenancy in common” with the School Board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the City for the year ended June 30, 2020, is School-financed assets in the amount of \$16,090,258 being reported by the Primary Government for financial reporting purposes.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 5—Capital Assets: (Continued)

A summary of changes in proprietary fund capital assets for the year ended June 30, 2020 follows:

HRWTF	Balance June 30, 2019	Increase	Decrease	Balance June 30, 2020
Capital assets not subject to depreciation:				
Land	\$ 216,026	\$ -	\$ -	\$ 216,026
Construction in progress	1,766,924	3,309,227		5,076,151
Total capital assets not subject to depreciation	\$ 1,982,950	\$ 3,309,227	\$ -	\$ 5,292,177
Capital assets subject to depreciation:				
Utility plant in service	\$ 91,851,879	\$ -	\$ -	\$ 91,851,879
Machinery and equipment	54,659,167	-	-	54,659,167
Total capital assets being depreciated	\$ 146,511,046	\$ -	\$ -	\$ 146,511,046
Less accumulated depreciation for:				
Utility plant in service	\$ (13,571,337)	\$ (2,722,179)	\$ -	\$ (16,293,516)
Machinery and equipment	(54,079,329)	(184,291)	-	(54,263,620)
Total accumulated depreciation	\$ (67,650,666)	\$ (2,906,470)	\$ -	\$ (70,557,136)
Total capital assets being depreciated, net	\$ 78,860,380	\$ (2,906,470)	\$ -	\$ 75,953,910
HRWTF Fund capital assets, net	\$ 80,843,330	\$ 402,757	\$ -	\$ 81,246,087
	Balance June 30, 2019	Increase	Decrease	Balance June 30, 2020
Sewer Service Fund				
Capital assets not subject to depreciation:				
Land	\$ 97,920	\$ -	\$ -	\$ 97,920
Work in progress	-	36,933	-	36,933
Total capital assets not subject to depreciation	\$ 97,920	\$ 36,933	\$ -	\$ 134,853
Capital assets subject to depreciation:				
Utility plant in service	\$ 501,878	\$ -	\$ -	\$ 501,878
Machinery and equipment	1,133,026	-	-	1,133,026
Sewer main improvements	41,069,468	426,927	(31,980.00)	41,464,415
Total capital assets being depreciated	\$ 42,704,372	\$ 426,927	\$ (31,980.00)	\$ 43,099,319
Less accumulated depreciation for:				
Utility plant in service	\$ (501,878)	\$ -	\$ -	\$ (501,878)
Machinery and equipment	(743,577)	(73,867)	-	(817,444)
Sewer main improvements	(13,008,772)	(1,663,816)	-	(14,672,588)
Total accumulated depreciation	\$ (14,254,227)	\$ (1,737,683)	\$ -	\$ (15,991,910)
Total capital assets being depreciated, net	\$ 28,450,145	\$ (1,310,756)	\$ (31,980.00)	\$ 27,107,409
Sewer Service Fund, net	\$ 28,548,065	\$ (1,273,823)	\$ -	\$ 27,242,262

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 5—Capital Assets: (Continued)

Solid Waste Fund	Balance June 30, 2019	Increase	Decrease	Balance June 30, 2020
Capital assets subject to depreciation:				
Machinery and equipment	\$ 51,075	\$ -	\$ -	\$ 51,075
Less accumulated depreciation for:				
Machinery and equipment	(47,767)	(3,308)	-	(51,075)
Solid Waste Fund capital assets, net	\$ 3,308	\$ (3,308)	\$ -	\$ -
Stormwater Fund	Balance June 30, 2019	Increase	Decrease	Balance June 30, 2020
Capital assets not subject to depreciation:				
Land	\$ 113,710	\$ -	\$ -	\$ 113,710
Work in progress	119,821	81,729	-	201,550
Total capital assets not subject to depreciation	\$ 233,531	\$ 81,729	\$ -	\$ 315,260
Capital assets subject to depreciation:				
Machinery and equipment	\$ 236,062	\$ -	\$ -	\$ 236,062
Stormwater improvements	3,244,650	42,723	-	3,287,373
Total capital assets being depreciated	\$ 3,480,712	\$ 42,723	\$ -	\$ 3,523,435
Less accumulated depreciation for:				
Machinery and equipment	\$ (81,561)	\$ (39,687)	\$ -	\$ (121,248)
Stormwater improvements	(33,783)	(164,013)	-	(197,796)
Total accumulated depreciation	\$ (115,344)	\$ (203,700)	\$ -	\$ (319,044)
Total capital assets being depreciated, net	\$ 3,365,368	\$ (160,977)	\$ -	\$ 3,204,391
Stormwater Fund capital assets, net	\$ 3,598,899	\$ (79,248)	\$ -	\$ 3,519,651
Beacon Theatre Fund	Balance June 30, 2019	Increase	Decrease	Balance June 30, 2020
Capital assets not subject to depreciation:				
Land	\$ 284,473	\$ -	\$ -	\$ 284,473
Total capital assets not subject to depreciation	\$ 284,473	\$ -	\$ -	\$ 284,473
Capital assets subject to depreciation:				
Buildings	\$ 5,210,027	\$ -	\$ -	\$ 5,210,027
Machinery and equipment	501,558	98,239	-	599,797
Total capital assets being depreciated	\$ 5,711,585	\$ 98,239	\$ -	\$ 5,809,824
Less accumulated depreciation for:				
Buildings	\$ (780,882)	\$ (145,481)	\$ -	\$ (926,363)
Machinery and equipment	(326,593)	(77,002)	-	(403,595)
Total accumulated depreciation	\$ (1,107,475)	\$ (222,483)	\$ -	\$ (1,329,958)
Total capital assets being depreciated, net	\$ 4,604,110	\$ (124,244)	\$ -	\$ 4,479,866
Beacon Theatre Fund capital assets, net	\$ 4,888,583	\$ (124,244)	\$ -	\$ 4,764,339

CITY OF HOPEWELL, VIRGINIA

**Notes to Financial Statements
As of June 30, 2020 (Continued)**

Note 6—Interfund Transfers

Interfund transfer for the year ended June 30, 2020 consisted of the following:

<u>Transfer Out</u>	<u>Transfer in</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Virginia Public Assistance Fund	Local Share	\$ 982,243
General Fund	Recreation Fund	Budgetary	1,715,560
General Fund	Capital Projects Fund	Budgetary	1,283,440
Total			<u>\$ 3,981,243</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 7—Long-term Obligations

A summary of changes in long-term obligations is as follows:

<u>Primary Government:</u>	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Governmental Activities Obligations:					
Incurred by City:					
General obligation bonds	\$ 32,500,438	\$ -	\$ (1,546,003)	\$ 30,954,435	\$ 1,497,011
Capital Leases	856,226	-	(147,153)	709,073	150,050
Compensated absences	1,142,404	327,162	(114,240)	1,355,326	135,533
Landfill closure liability	605,734	6,002	-	611,736	-
Net OPEB liability	13,895,364	5,761,711	(1,106,361)	18,550,714	-
Net pension liability	13,786,435	10,675,803	(8,581,906)	15,880,332	-
Total incurred by City	<u>\$ 62,786,601</u>	<u>\$ 16,770,678</u>	<u>\$ (11,495,663)</u>	<u>\$ 68,061,616</u>	<u>\$ 1,782,594</u>
Incurred for School Board:					
State Literary Loans payable	\$ 750,000	\$ -	\$ (375,000)	\$ 375,000	\$ 375,000
General obligation bonds payable	17,391,127	-	(1,675,869)	15,715,258	1,730,498
Total incurred for School Board	<u>\$ 18,141,127</u>	<u>\$ -</u>	<u>\$ (2,050,869)</u>	<u>\$ 16,090,258</u>	<u>\$ 2,105,498</u>
Total Governmental Activities Obligations	<u>\$ 80,927,728</u>	<u>\$ 16,770,678</u>	<u>\$ (13,546,532)</u>	<u>\$ 84,151,874</u>	<u>\$ 3,888,092</u>
Business-type Activities:					
Revenue bonds payable	\$ 32,825,000	\$ -	\$ (1,500,000)	\$ 31,325,000	\$ 1,530,000
Issuance premium	549,099	-	(25,139)	523,960	25,139
Compensated absences	207,690	13,237	20,769	241,696	24,169
Net OPEB liability	3,116,402	1,292,216	(248,129)	4,160,489	-
Net pension liability	3,092,117	2,394,442	(1,824,809)	3,661,750	-
Total Business-type Activities Obligations	<u>\$ 39,790,308</u>	<u>\$ 3,699,895</u>	<u>\$ (3,577,308)</u>	<u>\$ 39,912,895</u>	<u>\$ 1,579,308</u>

CITY OF HOPEWELL, VIRGINIA

**Notes to Financial Statements
As of June 30, 2020 (Continued)**

Note 7—Long-term Obligations: (Continued)

The following is a summary of long-term debt transactions of the Component Unit School Board for the year ended June 30, 2020:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 1,043,461	\$ 535,862	\$ (344,342)	\$ 1,234,981	\$ 407,544
Net OPEB liability	9,856,194	2,649,882	(1,254,617)	11,251,459	-
Net pension liability	37,362,990	15,753,750	(10,227,512)	42,889,228	-
Note payable to the City	1,132,428	-	(131,970)	1,000,458	137,746
	<u>\$ 49,395,073</u>	<u>\$ 18,939,494</u>	<u>\$ (11,958,441)</u>	<u>\$ 56,376,126</u>	<u>\$ 545,290</u>

Amounts are payable from the School Operating Fund.

Annual requirements to amortize long-term debt and related interest are as follows:

Governmental Activities Obligations:

<u>Year</u> <u>Ending</u> <u>June 30</u>	<u>Incurred For City Obligations</u>	
	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,497,011	\$ 983,084
2022	1,799,476	921,504
2023	1,867,022	853,688
2024	1,946,028	783,572
2025-2029	11,237,797	2,912,926
2030-2034	9,015,237	1,274,673
2035-2039	3,591,864	169,640
	<u>\$ 30,954,435</u>	<u>\$ 7,899,087</u>

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 7—Long-term Obligations: (Continued)

Governmental Activities Obligations: (Continued)

Year Ending June 30	Incurred For School Obligations			
	State Literary Fund Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 375,000	\$ 7,500	\$ 1,730,498	\$ 944,594
2022			1,895,792	914,751
2023			1,611,422	883,959
2024			1,632,532	859,974
2025-2029	-	-	5,504,010	2,755,712
2030-2034	-	-	2,577,867	413,392
2035-2039	-	-	763,137	38,500
Total	\$ 375,000	\$ 7,500	\$ 15,715,258	\$ 6,810,882

Primary Government Capital Leases

During the fiscal year 2016, the City entered into a noncancellable master tax exempt lease purchase agreement for equipment. The cost of equipment purchased during was \$1,257,252.

Year Ending June 30	Business-type Activities Obligations	
	Revenue Bonds	
	Principal	Interest
2021	\$ 1,530,000	\$ 1,363,065
2022	1,580,000	1,318,686
2023	1,300,000	1,274,074
2024	1,345,000	1,229,402
2025-2029	5,590,000	5,403,301
2030-2034	5,555,000	4,184,178
2035-2039	7,060,000	2,664,916
2040-2044	7,060,000	777,634
2045-2049	305,000	6,291
Total	\$ 31,325,000	\$ 18,221,547

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 7—Long-term Obligations: (Continued)

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2021	\$ 162,414
2022	322,391
2023	<u>250,217</u>
Total minimum lease payments	\$ <u>735,022</u>
less amounts representing interest	<u>(25,949)</u>
Present value of minimum lease payments	<u><u>\$ 709,073</u></u>

Details of long-term indebtedness are as follows:

Governmental Activities Obligations:

Incurred for City:

General Obligation Bonds:

\$13,730,000 general obligation public improvement bond Series 2008A, principal payable in various annual installments through July 15, 2023; interest payable semi-annual at various rates from 3.75%-5.00%.	\$ 2,035,000
\$4,480,000 general obligation public improvement bond, Series 2008B, principal payable in various annual installments through July 15, 2034; interest payable semi-annually at various rates from 6.15 %-6.38%	3,415,000
\$5,000,000 general obligation payable Series 2009A, principal payable in annual installments through July 15, 2033; interest payable semi-annually at various interest rates from 4.00% to 5.00%.	932,500
\$2,155,000 general obligation payable Series 2009B, principal payable in various annual installments through July 15, 2019; interest payable semi-annually at rates from 4.00%- 5.00%.	-

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 7—Long-term Obligations: (Continued)

Governmental Activities Obligations: (Continued)

Incurred for City: (Continued)

Governmental Activities Bonds: (Continued)

\$2,380,000 general obligation payable Series 2011, principal payable in various annual installments through May 1, 2022; interest payable semi-annually at various rates from 2.50%-3.50%.	\$ 175,000
\$2,265,000 general obligation payable Series 2013A, principal payable in various annual installments through July 15, 2028; interest payable semi-annually at 2.10%.	2,265,000
\$895,000 general obligation payable Series 2013B, principal payable in various annual installments through July 15, 2028; interest payable semi-annually at 3.63%.	895,000
\$7,700,000 general obligation payable Series 2013C, principal payable in various annual installments through July 15, 2038 interest payable semi-annually at 2.50%.	7,320,000
\$2,500,000 general obligation payable Series 2015A, principal payable in various annual installments through January 15, 2030; interest payable semi-annually at 2.275%.	1,748,778
\$12,955,075 general obligation payable Series 2015B, principal payable in various annual installments through July 15, 2034; interest payable semi-annually at 2.87%.	<u>12,168,157</u>
Total General Obligation Bonds	\$ 30,954,435
Capital Leases	709,073
Landfill closure liability (payable from the General Fund)	611,736
Compensated absences (payable from the General Fund)	1,355,326
Net OPEB liability (payable from the General Fund)	18,550,714
Net pension liability (payable from the General Fund)	<u>15,880,332</u>
Total Incurred for City	<u><u>\$ 68,061,616</u></u>

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 7—Long-term Obligations: (Continued)

Governmental Activities Bonds: (Continued)

Incurred for School Board:

State Literary Fund Loans:

\$7,500,000 State Literary Fund Loan issued May 15, 2001, due in annual principal installments of \$375,000 through January 15, 2021; interest payable annually at 2%.	\$ <u>375,000</u>
Total State Literary Fund Loans	\$ <u>375,000</u>

Virginia Public School Authority (VPSA) Subsidy and Other Bonds:

\$4,862,705 VPSA Subsidy Bonds issued 2001, principal due in annual installments of varying amounts through July 15, 2021; interest payable annually at varying rates 3.10% - 5.10%.	597,677
\$858,896 VPSA Subsidy Bonds issued in 2005, principal due in annual installments of varying amounts through July 15, 2025; interest payable annually at varying rates 4.60% - 5.10%.	304,902
\$2,800,000 General Obligation Qualified Zone Academy Bond issued in 2009, principal due in annual installments of \$186,667 through December 15, 2024; interest payable annually at 1.83%.	933,333
\$7,635,000 VPSA Subsidy Bonds issued 2010, principal due in annual installments of varying amounts through June 1, 2027; interest payable semi-annually at 0.092%.	3,820,000
\$5,000,000 general obligation payable Series 2009A, principal due in various annual installments through July 15, 2022; interest payable semi-annually at various from 4.00% to 5.00%.	932,500
\$5,000,000 VPSA Subsidy Bonds issued 2011, principal due in annual installments of varying amounts through June 1, 2027; interest payable semi-annually at 4.50%.	2,900,002
\$2,700,000 General Obligation issued in 2011, principal due in annual installments of varying amounts through May 1 2036; interest payable semi-annually at 2.00% - 5.00%.	2,700,000
\$3,754,925 General Obligation payable Series 2015B split with the City, due in annual installments of varying amounts through July 15, 2034; interest payable semi-annually at 2.87%.	<u>3,526,844</u>
Total Virginia Public Authority School Subsidy and Other Bonds	\$ <u>15,715,258</u>
Total Incurred for School Board	\$ <u>16,090,258</u>
Total Governmental Activities Obligations	\$ <u>84,151,874</u>

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 7—Long-term Obligations: (Continued)

Business-type Activities Obligations:

Revenue Bond Obligations:

\$5,445,000 Series 2015, revenue refunding bond. Principal payable in various annual installments through October 1, 2025; interest payable semi-annually at 1.25% - 3.37%.	\$ 3,415,000
\$5,675,000 Series 2014, revenue bond, principal payable in various annual installments through October 1, 2044; interest payable semi-annually at 2.13% - 4.13%.	5,080,000
\$2,790,000 revenue bond issued August 1, 2012, principal payable in various annual installments through October 1, 2021; interest payable semi-annually at varying rates 2.14% - 2.38%.	630,000
\$18,210,000 Sewer System bond issued December 7, 2011, principal payable in various annual installments through July 15, 2042; interest payable semi-annually at 2.50% - 6.00%.	17,525,000
\$3,385,000 Sewer System bond issued December 7, 2011, principal payable in various annual installments through July 15, 2022; interest payable semi-annually at 2.63% - 3.75%.	1,120,000
\$4,160,000 Sewer System revenue bond issued December 2, 2010, payable in various annual installments through July 15, 2041; interest payable semi-annually at 2.50% - 5.13%.	<u>3,555,000</u>
Total Revenue Bond Obligations	\$ 31,325,000
Issuance premium	523,960
Compensated absences (Payable from the Enterprise Funds)	241,696
Net OPEB liability (Payable from the Enterprise Funds)	4,160,489
Net pension liability (Payable from the Enterprise Funds)	<u>3,661,750</u>
Total Business-type Activities	<u>\$ 39,912,895</u>

Note 8—Reporting Entity Transactions

During fiscal year 2012, City Council approved a budget resolution to advance the School Board \$1,912,428 for energy conservation improvements. The School Board will repay the City over 15 years. The effective interest rate on the loan is 8.7%. At June 30, 2020, \$1,264,398 of the loan was still outstanding.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 9—Landfill Post-Closure Costs

In October 1993, the City discontinued accepting solid waste at its landfill. In conjunction with the closing of the landfill, an environmental engineering firm was engaged to devise a closure plan in accordance with federal and state regulations. During fiscal year 2002, the City received a closing permit; however, the time period for maintaining the site has been extended through 2022.

Total estimated costs of maintaining the site for this period is \$605,734. The total current cost of landfill post closure care is an estimate subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

The City demonstrates its financial assurance requirements closure, post-closure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 10—Unearned and Unavailable Revenues

Unearned revenues represent amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Unavailable revenues are resource inflows that represent amounts earned, but which are not available to liquidate liabilities of the current period. Unearned and unavailable revenues reported in governmental funds were comprised of the following:

<u>Tax Type</u>	<u>Unavailable Revenue</u>	<u>Deferred Revenue</u>	<u>Total</u>
General Fund			
Real Estate Tax	\$ 5,016,410	\$ 7,505,831	\$ 12,522,241
Personal Property	2,792,689	-	2,792,689
Personal Service Corporations	223	-	223
Machinery & Tools Tax	<u>1,283,430</u>	<u>4,378,780</u>	<u>5,662,210</u>
	<u>\$ 9,092,752</u>	<u>\$ 11,884,611</u>	<u>\$ 20,977,363</u>

Note 11—Commitments, Contingencies, and Subsequent Event

Federal programs in which the City and all discretely presented component units participate are audited in accordance with the provisions of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, all major programs will be tested for compliance with applicable grant requirements and reported upon under separate reporting. Even if no matters of noncompliance are disclosed by audit, the Federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 11—Commitments, Contingencies, and Subsequent Event: (Continued)

On December 16, 2010, the City was informed by the United States Environmental Protection Agency (“EPA”) that the Hopewell Regional Wastewater Treatment Facility (the “Facility”) was in violation of the Clean Air Act for 32 days during January and February of 2010. The Facility is potentially subject to a \$37,500 administrative penalty and a \$37,500 civil action for injunctive relief and/or civil penalties for each day in violation. On September 30, 2016, the City signed two consent agreements – one for Clean Water Act violations and one for Clean Air Act violations. The total amount of penalties paid to EPA was \$150,000, which was paid to the federal government in October 2016. The cost of the penalty was billed to each of the five other Facility Commission members. The consent agreement expired on September 30, 2017.

Note 12—Litigation

At June 30, 2020, there were no matters of litigation involving the City or which would materially affect the City’s financial position should any court decisions on pending matters not be favorable to such entities.

Note 13—Pension Plan:

Plan Description

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

Benefit Structures

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

Note 13—Pension Plan: (Continued)

Benefit Structures: (Continued)

- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 13—Pension Plan: (Continued)

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:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	318	69
Inactive members:		
Vested inactive members	50	13
Non-vested inactive members	95	34
Inactive members active elsewhere in VRS	175	17
Total inactive members	320	64
Active members	362	97
Total covered employees	<u>1,000</u>	<u>230</u>

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.

The City’s contractually required employer contribution rate for the year ended June 30, 2020 was 13.28% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$2,587,661 and \$2,508,520 for the years ended June 30, 2020 and June 30, 2019, respectively.

The Component Unit School Board’s contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2020 was 10.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 Component Unit School Board’s nonprofessional employees were \$240,855 and \$210,476 for the years ended June 30, 2020 and June 30, 2019, respectively.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 13—Pension Plan: (Continued)

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 GASB Statement No. 68, less that employer's fiduciary net position. The City's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the City's and Component Unit School Board's (nonprofessional) Retirement Plan was 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.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 13—Pension Plan: (Continued)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates:

All Others (Non-10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 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.

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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 13—Pension Plan: (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City’s Retirement Plan was 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.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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.

Mortality rates:

All Others (Non-10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 13–Pension Plan: (Continued)

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits: (Continued)

Mortality rates: (Continued)

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related (Continued)

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 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.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 13—Pension Plan: (Continued)**Long-Term Expected Rate of Return**

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

Asset 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 the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, 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.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the City and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 13—Pension Plan: (Continued)

Discount Rate: (Continued)

Plan was 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, participating employers and school divisions 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.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 111,736,144	\$ 94,857,592	\$ 16,878,552
Changes for the year:			
Service cost	\$ 2,282,108	\$ -	\$ 2,282,108
Interest	7,585,814	-	7,585,814
Benefit changes	-	-	-
Differences between expected and actual experience	(860,658)	-	(860,658)
Assumption changes	3,135,183	-	3,135,183
Contributions - employer	-	2,504,882	(2,504,882)
Contributions - employee	-	936,260	(936,260)
Net investment income	-	6,204,915	(6,204,915)
Benefit payments, including refunds	(6,734,756)	(6,734,756)	-
Administrative expenses	-	(63,240)	63,240
Other changes	-	(3,900)	3,900
Net changes	\$ 5,407,691	\$ 2,844,161	\$ 2,563,530
Balances at June 30, 2019	\$ 117,143,835	\$ 97,701,753	\$ 19,442,082

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 13—Pension Plan: (Continued)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 8,136,685	\$ 6,968,695	\$ 1,167,990
Changes for the year:			
Service cost	\$ 182,219	\$ -	\$ 182,219
Interest	549,786	-	549,786
Benefit changes	-	-	-
Differences between expected and actual experience	465,495	-	465,495
Assumption changes	211,459	-	211,459
Contributions - employer	-	210,476	(210,476)
Contributions - employee	-	99,626	(99,626)
Net investment income	-	455,363	(455,363)
Benefit payments, including refunds	(565,187)	(565,187)	-
Administrative expenses	-	(4,640)	4,640
Other changes	-	(286)	286
Net changes	\$ 843,772	\$ 195,352	\$ 648,420
Balances at June 30, 2019	\$ 8,980,457	\$ 7,164,047	\$ 1,816,410

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City and Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the City's and Component Unit School Board's (nonprofessional) net pension 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:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
City Net Pension Liability	\$ 33,665,302	\$ 19,442,082	\$ 8,063,951
Component Unit School Board (nonprofessional) Net Pension Liability	\$ 2,713,445	\$ 1,816,410	\$ 1,091,143

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 13—Pension Plan: (Continued)***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2020, the City and Component Unit School Board (nonprofessional) recognized pension expense of \$2,335,302 and \$399,972, respectively. At June 30, 2020, the City and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 994,525	\$ 292,673	\$ -
Change in assumptions	2,093,594	8	132,850	-
Net difference between projected and actual earnings on pension plan investments	-	804,720	-	58,082
Employer contributions subsequent to the measurement date	<u>2,587,661</u>	<u>-</u>	<u>240,855</u>	<u>-</u>
Total	<u>\$ 4,681,255</u>	<u>\$ 1,799,253</u>	<u>\$ 666,378</u>	<u>\$ 58,082</u>

\$2,587,661 and \$240,855 reported as deferred outflows of resources related to pensions resulting from the City's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2021	\$ 377,357	\$ 255,280
2022	(140,391)	108,550
2023	(6,123)	(1,059)
2024	63,498	4,670
2025	-	-
Thereafter	-	-
	<u>\$ 294,341</u>	<u>\$ 367,441</u>

Note 13—Pension Plan: (Continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description is included in the first section of this note.

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 provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division’s contractually required employer 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 June 30, 2017. 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. Contributions to the pension plan from the school division were \$4,097,008 and \$3,999,587 for the years ended June 30, 2020 and June 30, 2019, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the school division reported a liability of \$41,072,818 for its proportionate share of the 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 school division’s proportion of the Net Pension Liability was based on the school division’s actuarially determined employer contributions to the pension plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division’s proportion was .31209% as compared to .30778% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$4,214,578. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,630,066
Change in assumptions	4,067,172	
Net difference between projected and actual earnings on pension plan investments		901,862
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,022,115	710,801
Employer contributions subsequent to the measurement date	<u>4,097,008</u>	<u>-</u>
Total	<u>\$ 9,186,295</u>	<u>\$ 4,242,729</u>

\$4,097,008 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ (33,037)
2022	(685,566)
2023	470,570
2024	722,105
2025	372,486
Thereafter	-
	<u>\$ 846,558</u>

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was 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.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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.

Mortality rates:

Pre-Retirement:

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 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% 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; 115% of rates for males and females.

CITY OF HOPEWELL, VIRGINIA

**Notes to Financial Statements
As of June 30, 2020 (Continued)**

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system’s total pension liability determined in accordance with GASB Statement No. 67, less that system’s fiduciary net position. As of June 30, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$	49,683,336
Plan Fiduciary Net Position		<u>36,522,769</u>
Employers' Net Pension Liability (Asset)	\$	<u><u>13,160,567</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		73.51%

The total pension liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System’s notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 13—Pension Plan: (Continued)

Component Unit School Board (professional): (Continued)

Sensitivity of the School Division’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division’s proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division’s proportionate share of the net pension 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:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)

School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 61,832,434	\$ 41,072,818	\$ 23,908,460
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Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Primary Government and Component Unit School Board

Aggregate Pension Information

VRS Pension Plans	Primary Government			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
Primary Government	\$ 4,681,255	\$ 1,799,253	\$ 19,442,082	\$ 2,335,302
Component Unit School Board				
Nonprofessional	\$ 666,378	\$ 58,082	\$ 1,816,410	\$ 399,972
Professional	9,186,295	4,242,729	41,072,818	4,214,578
Totals	\$ 9,852,673	\$ 4,300,811	\$ 42,889,228	\$ 4,614,550

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan)

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. 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 Plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the Plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the Plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This amount is 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.

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan 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 to the GLI Plan from the primary government, school board nonprofessional and school board professional were \$104,578, 12,799 and \$141,004 and \$100,552, 11,234 and 136,946 for the years ended June 30, 2020 and June 30, 2019, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2020, the primary government, school board nonprofessional and school board professional reported a liability of \$1,605,135, 179,324 and 2,186,069, 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 as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI 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 primary government, school board nonprofessional and school board professional's proportion was .09864%, 0.01102%, 0.13434% as compared to .09820%, .01075% and .13131% at June 30, 2018.

For the year ended June 30, 2020, the primary government, school board nonprofessional and school board recognized GLI OPEB expense of \$49,973, \$6,315 and \$64,991 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.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Primary Government		
Differences between expected and actual experience	\$ 106,751	\$ 20,820
Net difference between projected and actual earnings on GLI OPEB program investments	-	32,971
Change in assumptions	101,339	48,402
Changes in proportion	48,162	-
Employer contributions subsequent to the measurement date	<u>104,577</u>	<u>-</u>
Total Primary Government	<u>\$ 360,829</u>	<u>\$ 102,193</u>
Component Unit School Board (nonprofessional)		
Differences between expected and actual experience	\$ 11,926	\$ 2,328
Net difference between projected and actual earnings on GLI OPEB program investments	-	3,683
Change in assumptions	11,322	5,407
Changes in proportion	10,116	-
Employer contributions subsequent to the measurement date	<u>12,799</u>	<u>-</u>
Total Component Unit School Board (nonprofessional)	<u>\$ 46,163</u>	<u>\$ 11,418</u>
Component Unit School Board (professional)		
Differences between expected and actual experience	\$ 145,387	\$ 28,356
Net difference between projected and actual earnings on GLI OPEB program investments	-	44,904
Change in assumptions	138,016	65,920
Changes in proportion	86,941	29,309
Employer contributions subsequent to the measurement date	<u>141,004</u>	<u>-</u>
Total Component Unit School Board (professional)	<u>\$ 511,348</u>	<u>\$ 168,489</u>

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)

\$104,577, 12,799 and \$141,004 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. 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:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>	<u>Component Unit School Board (professional)</u>
2021	\$ 18,559	\$ 2,805	\$ 22,207
2022	18,561	2,806	22,209
2023	32,525	4,366	41,228
2024	39,955	5,789	51,170
2025	34,903	4,931	50,019
Thereafter	9,556	1,249	15,022

Actuarial Assumptions

The total GLI OPEB liability was 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. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
Teachers	3.5%-5.95%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 OPEB liabilities.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 14–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers

Pre-Retirement:

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 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% 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; 115% of rates for males and females.

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. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates – Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 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.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 14–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees: (Continued)

The actuarial assumptions used in the June 30, 2017 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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Mortality Rates – Non-Largest Ten Locality Employers – General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 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.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 14–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – General Employees: (Continued)

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

CITY OF HOPEWELL, VIRGINIA

**Notes to Financial Statements
As of June 30, 2020 (Continued)**

Note 14–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the Plan’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

		GLI OPEB Plan
		<hr/>
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
Employers' Net GLI OPEB Liability (Asset)	\$	<hr/> <hr/> 1,627,266
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

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

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 14—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	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 the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, 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.

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.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 14–Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer’s 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:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
City's proportionate share of the GLI Program Net OPEB Liability	\$ 2,108,703	\$ 1,605,135	\$ 1,196,755
School Board nonprofessional's proportionate share of the GLI Program Net OPEB Liability	\$ 235,583	\$ 179,324	\$ 133,700
School Board professional's proportionate share of the GLI Program Net OPEB Liability	\$ 2,871,890	\$ 2,186,069	\$ 1,629,888

GLI Plan Fiduciary Net Position

Detailed information about the GLI Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <https://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 15–Medical, Dental, and Life Insurance–Pay-as-you-Go (OPEB Plan)

City and Component Unit School Board

Plan Description

The City and the School Board each maintain a separate single employer defined benefit plan that offers eligible retirees postretirement health benefits if they retire directly from the City or Schools and are eligible to receive an early or regular retirement benefit from the VRS. Health benefits include medical coverage only for the City and medical, dental, and vision coverage for the School Board.

Benefits Provided

Group

- A. Hired before July 1, 2003 and retired before January 1, 2004 with at least 15 years of service
- B. Hired before July 1, 2003 and retired after January 1, 2004 with at least 15 years of service
- C. Hired on or after July 1, 2004 with at least 11 years of service
- D. Hired on or after July 1, 2008 with at least 5 years of service

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 15—Medical, Dental, and Life Insurance—Pay-as-you-Go (OPEB Plan): (Continued)

City and Component Unit School Board (Continued)

Benefits Provided (Continued)

Group	City Contribution		Notes										
	Retiree Only	Retiree and Spouse											
A	\$534	\$948	Frozen contribution rate; will not change in future years										
B	\$553	N/A	2016 City contribution for a single active employee; will be adjusted in future years										
C	Varies	N/A	Percentage of City contribution for a single active employee, based on years of services. See following table.										
			<table border="1"> <thead> <tr> <th>Years of Service</th> <th>Percentage of Premium</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>0%</td> </tr> <tr> <td>11</td> <td>40%</td> </tr> <tr> <td>16-20</td> <td>60%</td> </tr> <tr> <td>21</td> <td>80%</td> </tr> </tbody> </table>	Years of Service	Percentage of Premium	0-10	0%	11	40%	16-20	60%	21	80%
Years of Service	Percentage of Premium												
0-10	0%												
11	40%												
16-20	60%												
21	80%												
D	Varies	N/A	Percentage of City contribution for a single active employee, based on years of services. See following table.										
			<table border="1"> <thead> <tr> <th>Years of Service</th> <th>Percentage of Premium</th> </tr> </thead> <tbody> <tr> <td>0-5</td> <td>\$50 per month</td> </tr> <tr> <td>6-10</td> <td>\$100 per month</td> </tr> <tr> <td>11-20</td> <td>\$150 per month</td> </tr> <tr> <td>21</td> <td>\$200 per month</td> </tr> </tbody> </table>	Years of Service	Percentage of Premium	0-5	\$50 per month	6-10	\$100 per month	11-20	\$150 per month	21	\$200 per month
Years of Service	Percentage of Premium												
0-5	\$50 per month												
6-10	\$100 per month												
11-20	\$150 per month												
21	\$200 per month												

Note that the City contribution is limited to the actual premium rate and is offset by any VRS health insurance credit received by the retiree.

A retiree eligible for a City contribution may receive the credit even if he or she is not enrolled in a City-sponsored plan. The contribution may be applied toward the cost of other coverage.

Each year, retirees participating in the City's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. The pre-Medicare retirees have a choice of three plans from United Healthcare: Choice Plan 049M, Choice Plan 044 and Choice Plus Plan 097M (POS). The majority of the participants are in Choice Plan 044. Medicare-eligible retirees and spouses must enroll in the Ovations AARP Medical Supplement Plan. Any City contribution for which the retiree is eligible will apply toward the Medicare Part D Premium in addition to the Ovations premium.

The City has 68 retirees without spouse coverage and 31 retirees with spouse coverage participating in the plan.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 15—Medical, Dental, and Life Insurance—Pay-as-you-Go (OPEB Plan): (Continued)

City and Component Unit School Board: (Continued)

Benefits Provided (Continued)

School Board professional retirees receive a \$55 per month credit from the School Board towards their premium. Nonprofessional retirees receive \$55 per month plus the amount of credit that they would have received from Virginia Retirement System Teachers Health Insurance Credit if they were eligible.

Pre-65 retirees may choose between four plans administered by Optima Health: two HMO HSA eligible plans, a PPO HSA eligible plan, and a co-pay plan. The Schools currently have 69 retirees without spouse coverage, 40 retirees with spouse coverage and 2 retirees with child coverage on their plan.

Plan Membership

At June 30, 2020 (measurement date), the following employees were covered by the benefit terms:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Total active employees with coverage	368	499
Total retirees with coverage	142	156
Total	<u>510</u>	<u>655</u>

Contributions

The City and School Board does not pre-fund benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis.

Total OPEB Liability

The City and School Board’s total OPEB liability was measured as of June 30, 2020. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Primary Government:

Inflation	2.50%
Salary Increases	4.75% and dressing to an ultimate rate of 3.50% after 20 years.
Discount Rate	2.21%

Component Unit School Board:

Inflation	2.50%
Salary Increases	5.35% and dressing to an ultimate rate of 3.50% after 20 years.
Discount Rate	2.21%

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 15—Medical, Dental, and Life Insurance—Pay-as-you-Go (OPEB Plan): (Continued)

City and Component Unit School Board: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates for pre-retirement were based on a RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed service related. Mortality rates for post-retirement were based on a RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85.

The date of the most recent actuarial experience study for which significant assumptions were based is July 1, 2019.

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is selected from a range of 20-Year Municipal Bond Indices and include the Bond Buyer 11-Bond GO Index, the S&P Municipal Bond 20-Year High Grade Rate Index, and the Fidelity 20-Year GO Municipal Bond Index. The final equivalent single discount rate used for this year’s valuation is 2.21% as of the end of the fiscal year with the expectation that the City and School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost from the OPEB Trust.

Changes in Total OPEB Liability

	<u>Primary Government</u> <u>Total OPEB Liability</u>	<u>Component Unit</u> <u>School Board</u> <u>Total OPEB Liability</u>
Balances at June 30, 2019	\$ 15,520,767	\$ 3,788,194
Changes for the year:		
Service cost	899,120	230,524
Interest	565,256	136,030
Effect of plan changes	(481,313)	-
Changes in assumptions	871,703	748,477
Effect of economic/demographic gains or losses	4,274,622	159,824
Benefit payments	(544,088)	(266,602)
Net changes	<u>5,585,300</u>	<u>1,008,253</u>
Balances at June 30, 2020	<u>\$ 21,106,067</u>	<u>\$ 4,796,447</u>

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 15—Medical, Dental, and Life Insurance—Pay-as-you-Go (OPEB Plan): (Continued)**City and Component Unit School Board: (Continued)****Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following amounts present the total OPEB liability of the City and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current discount rate:

	<u>Rate</u>		
	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Primary Government	\$ 25,272,556	\$ 21,106,067	\$ 17,840,989
Component Unit School Board	\$ 4,318,013	\$ 4,796,447	\$ 5,391,745

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City and School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	<u>Rates</u>		
	<u>1% Decrease</u>	<u>Healthcare Cost Trend</u>	<u>1% Increase</u>
Primary Government	\$ 17,336,859	\$ 21,106,067	\$ 26,108,860
Component Unit School Board	\$ 4,318,013	\$ 4,796,447	\$ 5,391,745

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

For the year ended June 30, 2020, the City and School Board recognized OPEB expense in the amount of \$1,735,288 and \$468,474, respectively. At June 30, 2020, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Primary Government</u>		<u>Component Unit School Board</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,663,962	\$ -	\$ 142,261	\$ -
Changes in assumptions	1,243,290	402,012	773,625	93,068
Total	<u>\$ 4,907,252</u>	<u>\$ 402,012</u>	<u>\$ 915,886</u>	<u>\$ 93,068</u>

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 15—Medical, Dental, and Life Insurance—Pay-as-you-Go (OPEB Plan): (Continued)

City and Component Unit School Board: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board</u>
2021	\$ 752,225	\$ 101,920
2022	752,225	101,920
2023	752,225	101,920
2024	752,225	101,920
2025	761,149	101,920
Thereafter	735,191	313,218
	<u>\$ 4,505,240</u>	<u>\$ 822,818</u>

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), 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.

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 16–Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. 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. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Plan (VLDP), the monthly benefit is either: \$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.

HIC Plan Notes

The monthly HIC 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 HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. 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 school division to the VRS Teacher Employee HIC Plan were \$324,418 and \$314,433 for the years ended June 30, 2020 and June 30, 2019, respectively.

Teacher Employee HIC Plan OPEB Liabilities, Teacher Employee HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

At June 30, 2020, the school division reported a liability of \$4,089,619 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC Plan OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Plan OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Plan 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 school division's proportion of the VRS Teacher Employee HIC Plan was .31240% as compared to .3080% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$351,635. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

Teacher Employee HIC Plan OPEB Liabilities, Teacher Employee HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB: (Continued)

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 23,163
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	258	-
Change in assumptions	95,184	28,417
Change in proportion	115,936	38,140
Employer contributions subsequent to the measurement date	<u>324,418</u>	<u>-</u>
Total	<u>\$ 535,796</u>	<u>\$ 89,720</u>

\$324,418 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee 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 Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

Year Ended June 30

2021	\$	18,930
2022		18,925
2023		20,718
2024		20,118
2025		16,466
Thereafter		26,501

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was 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.

Inflation	2.5%
Salary increases, including inflation	3.5%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 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 OPEB liabilities.

Mortality Rates – Teachers

Pre-Retirement:

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 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% 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; 115% of rates for males and females.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the Plan’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 VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
		<u> </u>
Total Teacher Employee HIC OPEB Liability	\$	1,438,114
Plan Fiduciary Net Position		129,016
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,309,098</u>
 Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		 8.97%

The total Teacher Employee HIC OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Long-Term Expected Rate of Return

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	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 the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, 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.

Discount Rate

The discount rate used to measure the total 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 and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Plan 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 continue 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 Teacher Employee HIC OPEB liability.

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

Sensitivity of the School Division’s Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division’s proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division’s 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:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 4,576,980	\$ 4,089,619	\$ 3,675,608

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan’s Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 19—Surety Bonds

The following Surety bonds are maintained by the City with Fidelity and Deposit Company of Maryland – Surety (Faithful Performance of Duty Schedule Position Bond):

Tamara J. Ward, Clerk of the Circuit Court	\$ 1,075,000
Joan Gosier, Treasurer	\$ 500,000
Debra A. Reason, Commissioner of the Revenue	\$ 3,000
Stephen Kephart, Sheriff	\$ 30,000
The above constitutional officers and subordinate employees - blanket bond	\$ 50,000

VSBA – Surety (\$10,000): Melody Hackney, Superintendent of Schools, Monique Barnes, Clerk of School Board, Melody F. Bage, Deputy Clerk of School Board

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 20—Tax Abatements

The City negotiates performance incentive agreements on an individual basis with private entities to stimulate investments and job creation:

Purpose	Percentage of Taxes Abated during FY2019	Amount of Taxes Abated during FY2019
Performance incentive to locate and expand in the City	30%	\$ <u>395,991</u>

Note 21—Restatements

Fund Balance/Net position at June 30, 2019 was restated as follows:

	Fund Balance/ Net Position June 30, 2019 previously reported	Correction of errors in cash and receivables	Balance as restated, June 30, 2019
Governmental Activities	\$ 12,792,364	\$ 9,867,926	\$ 22,660,290
Business Type Activities	125,035,808	(1,831,470)	123,204,338
School Board	(21,046,087)	62,094	(20,983,993)
General Fund	12,731,166	1,461,571	14,192,737
VPA Fund	344,831	532,538	877,369
Capital Projects	1,441,384	7,693,067	9,134,451
Recreation Fund	(27,854)	67	(27,787)
CDBG Fund	-	180,683	180,683
School Cafeteria	1,042,738	62,094	1,104,832
Hopewell Wastewater Treatment Facilities Fund	81,828,196	1,203,484	83,031,680
Sewer Service Fund	31,204,846	(2,518,847)	28,685,999
Solid Waste Fund	2,755,596	434,892	3,190,488
Storm Water Fund	4,196,884	(1,070,232)	3,126,652
Beacon Theatre Fund	5,050,286	119,233	5,169,519

Notes to Financial Statements
As of June 30, 2020 (Continued)

Note 22—Upcoming Pronouncements

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, Leases, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No, 14 and No. 61, provides guidance for reporting a government’s majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, Conduit Debt Obligations, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

CITY OF HOPEWELL, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
General property taxes	\$ 33,688,989	\$ 34,242,081	\$ 31,503,195	\$ (2,738,886)
Other local taxes	6,100,000	6,106,769	6,105,962	(807)
Permits, privilege fees, and regulatory licenses	881,000	251,000	339,387	88,387
Fines and forfeitures	1,630,000	1,628,500	1,049,027	(579,473)
Revenues from use of money and property	55,000	55,000	83,492	28,492
Charges for services	930,000	613,000	654,852	41,852
Miscellaneous	1,435,540	1,871,195	2,740,681	869,486
Recovered costs	382,500	382,500	382,500	-
Intergovernmental revenues:				
Commonwealth	7,000,000	6,798,182	9,347,210	2,549,028
Federal	200,000	200,000	146,340	(53,660)
Total revenues	<u>\$ 52,303,029</u>	<u>\$ 52,148,227</u>	<u>\$ 52,352,646</u>	<u>\$ 204,419</u>
EXPENDITURES				
Current:				
General government administration	\$ 7,910,419	\$ 7,808,274	\$ 6,295,920	\$ 1,512,354
Judicial administration	1,869,192	2,797,852	2,648,229	149,623
Public safety	16,771,941	15,651,437	15,701,870	(50,433)
Public works	5,160,034	5,138,351	4,847,473	290,878
Health and welfare	837,410	750,122	1,098,419	(348,297)
Education	12,242,921	14,264,679	13,917,451	347,228
Parks, recreation, and cultural	642,515	642,515	642,515	-
Community development	461,633	1,061,728	968,610	93,118
Nondepartmental	410,894	1,211,108	1,588,595	(377,487)
Debt Service:				
Interest and other fiscal charges	-	-	-	-
Total expenditures	<u>\$ 46,306,959</u>	<u>\$ 49,326,066</u>	<u>\$ 47,709,082</u>	<u>\$ 1,616,984</u>
Excess of revenues over expenditures	\$ 5,996,070	\$ 2,822,161	\$ 4,643,564	\$ 1,821,403
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(5,996,070)	(3,113,644)	(3,981,243)	(867,599)
Total other financing sources (uses),net	<u>\$ (5,996,070)</u>	<u>\$ (3,113,644)</u>	<u>\$ (3,981,243)</u>	<u>\$ (867,599)</u>
Net change in fund balances	\$ -	\$ (291,483)	\$ 662,321	\$ 953,804
Fund balances - beginning, as restated	-	255,232	14,192,737	13,937,505
Fund balances - ending	<u>\$ -</u>	<u>\$ (36,251)</u>	<u>\$ 14,855,058</u>	<u>\$ 14,891,309</u>

Budgetary Data

The following procedures are used by the City in establishing the budgetary data reflected in the required supplementary

1. The City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least 60 days prior to the beginning of such fiscal year.
2. A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. After a public hearing, the City Council may change any item in the budget (other than debt service or items required by law). A budget resolution must be adopted by the City Council prior to June 30 or as soon thereafter as is practicable.
3. The City utilizes the budget resolution as a budgetary control whereby City Council adopts budgets for estimated revenues and expenditures on a departmental basis for the General Fund and Special Revenue Funds. Capital Projects Funds are budgeted on a project-length basis. Adopted budgets may be amended or superseded by action of City Council.
4. Appropriation control is maintained at the function level within individual funds. Appropriations lapse at year end. Encumbrances and reserved fund balances outstanding at year-end are re-appropriated in the succeeding year. Several supplemental appropriations were necessary during the fiscal year.
5. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

CITY OF HOPEWELL, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Virginia Public Assistance Fund
For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
REVENUES				
Intergovernmental revenues:				
Commonwealth	\$ 2,276,430	\$ 2,276,430	\$ 1,299,684	\$ (976,746)
Federal	3,066,620	3,066,620	2,783,938	(282,682)
Miscellaneous	-	-	1,462	1,462
Total revenues	<u>\$ 5,343,050</u>	<u>\$ 5,343,050</u>	<u>\$ 4,085,084</u>	<u>\$ (1,257,965)</u>
EXPENDITURES				
Current -				
Health and welfare				
Welfare and social Services:				
Welfare administration	\$ 1,244,815	\$ 1,244,815	\$ 924,533	\$ 320,282
Public assistance	5,080,478	5,080,478	4,580,209	500,269
Total expenditures	<u>\$ 6,325,293</u>	<u>\$ 6,325,293</u>	<u>\$ 5,504,742</u>	<u>\$ 820,551</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (982,243)	\$ (982,243)	\$ (1,419,658)	\$ (437,415)
OTHER FINANCING SOURCES				
Operating transfers in	982,243	982,243	982,243	-
Total other financing sources	<u>\$ 982,243</u>	<u>\$ 982,243</u>	<u>\$ 982,243</u>	<u>\$ -</u>
Net change in fund balances	-	-	(437,415)	(437,415)
Fund balances - beginning	-	-	877,369	877,369
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 439,954</u>	<u>\$ 439,954</u>

CITY OF HOPEWELL, VIRGINIA

Schedule of Changes in City's Net Pension Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability			
Service cost	\$ 2,282,108	\$ 2,094,219	\$ 2,036,407
Interest	7,585,814	7,391,931	7,364,860
Changes in benefit terms	-	915,249	-
Change in assumption	3,135,183	-	(1,292)
Difference between expected and actual experience	(860,658)	(1,154,821)	(2,984,084)
Benefit payments, including refunds of employee contributions	(6,734,756)	(6,218,895)	(5,839,426)
Net change in total pension liability	\$ 5,407,691	\$ 3,027,683	\$ 576,465
Plan total pension liability - beginning	111,736,144	108,708,461	108,131,996
Plan total pension liability - ending	<u>\$ 117,143,835</u>	<u>\$ 111,736,144</u>	<u>\$ 108,708,461</u>
Plan fiduciary net position			
Contributions - employer	\$ 2,504,882	\$ 2,684,835	\$ 2,465,223
Contributions - employee	936,260	905,529	872,284
Net investment income	6,204,915	6,654,358	10,047,935
Benefit payments, including refunds of employee contributions	(6,734,756)	(6,218,895)	(5,839,426)
Administrative expense	(63,240)	(58,413)	(59,296)
Other	(3,900)	(5,888)	(8,883)
Net change in plan fiduciary net position	\$ 2,844,161	\$ 3,961,526	\$ 7,477,837
Plan fiduciary net position - beginning	94,857,592	90,896,066	83,418,229
Plan fiduciary net position - ending	<u>\$ 97,701,753</u>	<u>\$ 94,857,592</u>	<u>\$ 90,896,066</u>
Total net pension liability - ending	<u>\$ 19,442,082</u>	<u>\$ 16,878,552</u>	<u>\$ 17,812,395</u>
Plan fiduciary net position as a percentage of total pension liability	83%	85%	84%
Covered payroll	\$ 19,319,990	\$ 18,651,062	\$ 17,926,258
Net pension liability as a percentage of covered employee payroll	101%	90%	99%
Employer Contributions			
Contractually required contribution	\$ 2,587,661	\$ 2,508,520	\$ 2,723,055
Contributions in relation to contractually required contribution	2,587,661	2,508,520	2,723,055
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 20,111,062	\$ 19,319,990	\$ 18,651,062
Contributions as a percentage of covered payroll	12.87%	12.98%	14.60%

Schedules are intended to show information for 10 years. Since 2015 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

CITY OF HOPEWELL, VIRGINIA

Schedule of Changes in City's Net Pension Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2019

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 1,974,094	\$ 1,881,386	\$ 1,860,421
Interest	7,121,892	6,920,166	6,707,497
Changes in benefit terms	-	-	-
Change in assumption	-	-	-
Difference between expected and actual experience	475,274	120,211	-
Benefit payments, including refunds of employee contributions	<u>(6,361,167)</u>	<u>(5,718,746)</u>	<u>(5,340,826)</u>
Net change in total pension liability	\$ 3,210,093	\$ 3,203,017	\$ 3,227,092
Plan total pension liability - beginning	104,921,903	101,718,886	98,491,794
Plan total pension liability - ending	<u>\$ 108,131,996</u>	<u>\$ 104,921,903</u>	<u>\$ 101,718,886</u>
Plan fiduciary net position			
Contributions - employer	\$ 2,060,903	\$ 2,023,775	\$ 1,649,427
Contributions - employee	831,516	844,447	799,011
Net investment income	1,403,075	3,794,786	11,756,144
Benefit payments, including refunds of employee contributions	<u>(6,361,167)</u>	<u>(5,718,746)</u>	<u>(5,340,826)</u>
Administrative expense	(54,474)	(54,133)	(65,207)
Other	<u>(613)</u>	<u>(798)</u>	<u>620</u>
Net change in plan fiduciary net position	\$ (2,120,760)	\$ 889,331	\$ 8,799,169
Plan fiduciary net position - beginning	85,538,989	84,649,658	75,850,489
Plan fiduciary net position - ending	<u>\$ 83,418,229</u>	<u>\$ 85,538,989</u>	<u>\$ 84,649,658</u>
Total net pension liability - ending	<u>\$ 24,713,767</u>	<u>\$ 19,382,914</u>	<u>\$ 17,069,228</u>
Plan fiduciary net position as a percentage of total pension liability	77%	82%	83%
Covered payroll	\$ 16,746,388	\$ 16,746,388	\$ 16,746,388
Net pension liability as a percentage of covered employee payroll	148%	116%	102%
Employer Contributions			
Contractually required contribution	\$ 2,423,732	\$ 2,009,066	\$ 2,023,774
Contributions in relation to contractually required contribution	<u>2,423,732</u>	<u>2,009,066</u>	<u>2,023,774</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 17,926,258	\$ 16,746,388	\$ 16,746,388
Contributions as a percentage of covered payroll	13.52%	12.00%	12.08%

Schedules are intended to show information for 10 years. Since 2015 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

CITY OF HOPEWELL, VIRGINIA

Schedule of Changes in School Board's Nonprofessional Net Pension
Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability			
Service cost	\$ 182,219	\$ 190,303	\$ 207,971
Interest	549,786	539,366	536,970
Change in assumptions	211,459	-	3,590
Difference between expected and actual experience	465,495	846	(127,743)
Benefit payments, including refunds of employee contributions	(565,187)	(598,111)	(575,011)
Net change in total pension liability	\$ 843,772	\$ 132,404	\$ 45,777
Plan total pension liability - beginning	8,136,685	8,004,281	7,958,504
Plan total pension liability - ending	<u>\$ 8,980,457</u>	<u>\$ 8,136,685</u>	<u>\$ 8,004,281</u>
Plan fiduciary net position			
Contributions - employer	\$ 210,476	\$ 195,270	\$ 178,610
Contributions - employee	99,626	96,478	87,895
Net investment income	455,363	492,842	753,505
Benefit payments, including refunds of employee contributions	(565,187)	(598,111)	(575,011)
Administrative expense	(4,640)	(4,425)	(4,552)
Other	(286)	(433)	(663)
Net change in plan fiduciary net position	\$ 195,352	\$ 181,621	\$ 439,784
Plan fiduciary net position - beginning	6,968,695	6,787,074	6,347,290
Plan fiduciary net position - ending	<u>\$ 7,164,047</u>	<u>\$ 6,968,695</u>	<u>\$ 6,787,074</u>
Total net pension liability - ending	<u>\$ 1,816,410</u>	<u>\$ 1,167,990</u>	<u>\$ 1,217,207</u>
Plan fiduciary net position as a percentage of total pension liability	79.75%	79.75%	79.75%
Covered payroll	\$ 2,123,995	\$ 2,039,146	\$ 1,846,602
Net pension liability as a percentage of covered employee payroll	85.52%	57.28%	65.92%
Employer Contributions			
Contractually required contribution	\$ 240,855	\$ 210,476	\$ 203,099
Contributions in relation to contractually required contribution	240,855	210,476	203,099
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,459,189	\$ 2,123,995	\$ 2,039,146
Contributions as a percentage of covered payroll	9.79%	9.91%	9.96%

Schedules are intended to show information for 10 years. Since 2015 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

CITY OF HOPEWELL, VIRGINIA

Schedule of Changes in School Board's Nonprofessional Net Pension
Liability and Related Ratios
For the Measurement Dates of June 30, 2014 through June 30, 2019

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 204,573	\$ 202,475	\$ 185,137
Interest	545,104	534,282	524,469
Change in assumptions			
Difference between expected and actual experience	(240,879)	62,210	-
Benefit payments, including refunds of employee contributions	(674,980)	(613,765)	(525,083)
Net change in total pension liability	\$ (166,182)	\$ 185,202	\$ 184,523
Plan total pension liability - beginning	8,124,686	7,939,484	7,754,961
Plan total pension liability - ending	<u>\$ 7,958,504</u>	<u>\$ 8,124,686</u>	<u>\$ 7,939,484</u>
Plan fiduciary net position			
Contributions - employer	\$ 210,896	\$ 213,125	\$ 159,179
Contributions - employee	86,708	88,419	88,108
Net investment income	107,664	293,446	924,453
Benefit payments, including refunds of employee contributions	(674,980)	(613,765)	(525,083)
Administrative expense	(4,221)	(4,268)	(5,167)
Other	(47)	(60)	48
Net change in plan fiduciary net position	\$ (273,980)	\$ (23,103)	\$ 641,538
Plan fiduciary net position - beginning	6,621,270	6,644,373	6,002,835
Plan fiduciary net position - ending	<u>\$ 6,347,290</u>	<u>\$ 6,621,270</u>	<u>\$ 6,644,373</u>
Total net pension liability - ending	<u>\$ 1,611,214</u>	<u>\$ 1,503,416</u>	<u>\$ 1,295,111</u>
Plan fiduciary net position as a percentage of total pension liability	79.75%	81.50%	83.69%
Covered payroll	\$ 1,761,986	\$ 1,761,986	\$ 1,761,986
Net pension liability as a percentage of covered employee payroll	91.44%	85.33%	73.50%
Employer Contributions			
Contractually required contribution	\$ 178,358	\$ 210,721	\$ 213,125
Contributions in relation to contractually required contribution	178,358	210,721	213,125
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,846,602	\$ 1,761,986	\$ 1,761,986
Contributions as a percentage of covered payroll	9.66%	11.96%	12.10%

Schedules are intended to show information for 10 years. Since 2015 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

CITY OF HOPEWELL, VIRGINIA

Schedule of Employer's Proportionate Share of Net Pension Liability -
 School Board Professional Retirement Plan
 For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018	2017	2016	2015	2014
Proportionate of the net pension liability	0.31209%	0.30778%	0.31223%	0.30325%	0.31187%	0.31383%
Proportionate share of the net pension liability	\$ 41,072,818	\$ 36,195,000	\$ 38,398,000	\$ 42,498,000	\$ 39,253,000	\$ 37,926,000
Covered payroll	\$ 26,202,713	\$ 24,698,847	\$ 22,938,444	\$ 22,938,444	\$ 22,938,444	\$ 22,938,444
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.80%	68.24%	59.74%	53.98%	58.44%	60.48%
Plan fiduciary net position as a percentage of the total pension liability	73.51%	74.81%	72.92%	68.28%	70.87%	70.88%

Note: The amounts presented have a measurement date of the previous fiscal year.

Employer Contributions

Contractually required contribution	\$ 4,097,008	\$ 3,999,587	\$ 3,552,276	\$ 3,618,621	\$ 3,303,324	\$ 3,362,153
Contributions in relation to contractually required contribution	4,097,008	3,999,587	3,552,276	3,618,621	3,303,324	3,362,153
Contribution excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 27,034,811	\$ 26,202,713	\$ 24,698,847	\$ 22,938,444	\$ 22,938,444	\$ 22,938,444
Contributions as a percentage of covered payroll	15.15%	15.26%	14.38%	15.78%	14.40%	14.66%

Schedules are intended to show information for 10 years. Since 2015 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

CITY OF HOPEWELL, VIRGINIA

**Notes to Required Supplementary Information - Primary Government
and Component Unit School Board Pension
For the Year Ended June 30, 2020**

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

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:

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

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7% to 6.75%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7% to 6.75%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7% to 6.75%

CITY OF HOPEWELL, VIRGINIA

Schedule of City and School Board's Share of Net OPEB Liability
Group Life Insurance Program
For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government					
2019	0.09864%	\$ 1,605,135	\$ 19,336,902	8.30%	52.00%
2018	0.09820%	1,491,000	18,672,301	7.99%	51.22%
2017	0.09743%	1,466,000	17,971,197	8.16%	48.86%
Component Unit School Board (nonprofessional)					
2019	0.01102%	\$ 179,324	\$ 2,160,317	8.30%	52.00%
2018	0.01075%	164,000	2,044,159	8.02%	51.22%
2017	0.01017%	153,000	1,875,385	8.16%	48.86%
Component Unit School Board (professional)					
2019	0.13434%	\$ 2,186,069	\$ 26,335,698	8.30%	52.00%
2018	0.13131%	1,994,000	24,967,286	7.99%	51.22%
2017	0.13390%	2,015,000	24,698,847	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

CITY OF HOPEWELL, VIRGINIA

Schedule of Employer Contributions
Group Life Insurance Program
For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2020	\$ 104,578	\$ 104,578	\$ -	\$ 20,111,062	0.52%
2019	100,552	100,552	-	19,336,902	0.52%
2018	97,096	97,096	-	18,672,301	0.52%
2017	93,450	93,450	-	17,971,197	0.52%
2016	80,943	80,943	-	16,863,061	0.48%
2015	79,157	79,157	-	16,490,951	0.48%
2014	76,853	76,853	-	16,011,112	0.48%
2013	75,549	75,549	-	15,739,365	0.48%
2012	40,965	40,965	-	14,630,345	0.28%
2011	41,053	41,053	-	14,661,646	0.28%
Component Unit School Board (nonprofessional)					
2020	\$ 12,799	\$ 12,799	\$ -	\$ 2,461,324	0.52%
2019	11,234	11,234	-	2,160,317	0.52%
2018	10,630	10,630	-	2,044,159	0.52%
2017	9,752	9,752	-	1,875,385	0.52%
2016	8,629	8,629	-	1,797,805	0.48%
2015	8,727	8,727	-	1,818,184	0.48%
2014	8,563	8,563	-	1,783,900	0.48%
2013	8,102	8,102	-	1,688,017	0.48%
2012	4,496	4,496	-	1,605,852	0.28%
2011	4,704	4,704	-	1,679,925	0.28%
Component Unit School Board (professional)					
2020	\$ 141,004	\$ 141,004	\$ -	\$ 27,116,177	0.52%
2019	136,946	136,946	-	26,335,698	0.52%
2018	129,830	129,830	-	24,967,286	0.52%
2017	128,434	128,434	-	24,698,847	0.52%
2016	111,268	111,268	-	23,180,875	0.48%
2015	111,746	111,746	-	23,280,489	0.48%
2014	110,872	110,872	-	23,098,416	0.48%
2013	110,559	110,559	-	23,033,045	0.48%
2012	61,342	61,342	-	21,908,028	0.28%
2011	61,701	61,701	-	22,036,191	0.28%

CITY OF HOPEWELL, VIRGINIA

**Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020**

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

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:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%
Discount Rate	Decreased rate from 7.00% to 6.75%

CITY OF HOPEWELL, VIRGINIA

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Measurement Dates of June 30, 2018 through June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service cost	\$ 899,120	\$ 687,845	\$ 722,339
Interest	565,256	559,829	504,161
Changes in assumptions	871,703	721,622	(689,163)
Effect of economic/demographic gains or losses	4,274,622	-	-
Effect of plan changes	(481,313)	-	-
Benefit payments	(544,088)	(448,860)	(434,818)
Net change in total OPEB liability	\$ 5,585,300	\$ 1,520,436	\$ 102,519
Total OPEB liability - beginning	15,520,767	14,000,331	13,897,812
Total OPEB liability - ending	\$ 21,106,067	\$ 15,520,767	\$ 14,000,331
Covered-employee payroll	\$ 20,168,920	\$ 18,379,042	\$ 18,379,042
City's total OPEB liability (asset) as a percentage of covered-employee payroll	104.65%	84.45%	76.18%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

CITY OF HOPEWELL, VIRGINIA

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
 Component Unit School Board
 For the Measurement Dates of June 30, 2018 through June 30, 2020

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 230,524	\$ 188,772	\$ 194,926
Interest	136,030	138,747	123,979
Changes in assumptions	748,477	138,986	(134,129)
Effect of economic/demographic gains or losses	159,824	-	-
Effect of plan changes	-	-	-
Benefit payments	(266,602)	(148,076)	(123,597)
Net change in total OPEB liability	\$ 1,008,253	\$ 318,429	\$ 61,179
Total OPEB liability - beginning	3,788,194	3,469,765	3,408,586
Total OPEB liability - ending	\$ 4,796,447	\$ 3,788,194	\$ 3,469,765
Covered employee payroll	\$ 22,495,370	\$ 27,911,318	\$ 27,911,318
City's total OPEB liability (asset) as a percentage of covered employee payroll	21.32%	13.57%	12.43%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

CITY OF HOPEWELL, VIRGINIA

Notes to Required Supplementary Information - Primary Government
and Component Unit School Board OPEB
For the Year Ended June 30, 2020

Valuation Date: 7/1/2019
Measurement Date: 6/30/2020

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Primary Government:

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.21%
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.80% in 2018 and gradually declines to 4.50% by the year 2089
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for pre-retirement was calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed service related. The mortality rates for post-retirement was calculated using the RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85.

Component Unit School Board:

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.21%
Inflation	2.50%
Healthcare Trend Rate	The healthcare trend rate assumption starts at 5.80% in 2018 and gradually declines to 4.30% by the year 2094
Salary Increase Rates	The salary increase rate starts at 5.35% salary increase for 1 year of service and gradually declines to 3.50% salary increase for 20 or more years of service
Retirement Age	The average age at retirement is 62
Mortality Rates	The mortality rates for pre-retirement was calculated using the RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year. 25% of deaths are assumed service related. The mortality rates for post-retirement was calculated using the RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females setback 1 year with 1.5% increase compounded from ages 70 to 85.

CITY OF HOPEWELL, VIRGINIA

Schedule of City School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2017 through June 30, 2019

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2019	0.3124%	\$ 4,089,619	\$ 26,202,713	2.63%	8.97%
2018	0.3080%	3,910,000	24,907,887	2.63%	8.08%
2017	0.3120%	3,958,000	24,622,272	2.63%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

CITY OF HOPEWELL, VIRGINIA

Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 324,418	\$ 324,418	\$ -	\$ 27,034,811	1.20%
2019	314,433	314,433	-	26,202,713	1.20%
2018	306,367	306,367	-	24,907,887	1.23%
2017	273,307	273,307	-	24,622,272	1.11%
2016	245,088	245,088	-	23,121,517	1.06%
2015	245,785	245,785	-	23,187,260	1.06%
2014	254,753	254,753	-	22,950,724	1.11%
2013	252,452	252,452	-	22,743,440	1.11%
2012	129,428	129,428	-	21,571,356	0.60%
2011	131,235	131,235	-	21,872,551	0.60%

Schedule is intended to show information for 10 years.

CITY OF HOPEWELL, VIRGINIA

Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Plan
For the Year Ended June 30, 2020

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

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:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

OTHER SUPPLEMENTARY INFORMATION

CITY OF HOPEWELL, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Capital Projects Fund
 For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Other local taxes	\$ 3,150,000	\$ 3,150,000	\$ 2,340,867	\$ (809,133)
Intergovernmental revenues:				
Commonwealth	1,080,516	1,080,516	1,307,445	226,929
Federal	100,000	100,000	16,506	(83,494)
Revenues from use of money and property	112,777	112,777	752,536	639,759
Miscellaneous	-	-	200,554	200,554
Total revenues	<u>\$ 4,443,293</u>	<u>\$ 4,443,293</u>	<u>\$ 4,617,908</u>	<u>\$ 174,615</u>
EXPENDITURES				
Capital projects	\$ 1,581,315	\$ 11,993,844	\$ 4,094,525	\$ 7,899,319
Debt service:				
Principal retirement	3,318,096	3,318,096	3,744,025	(425,929)
Interest and other fiscal charges	1,343,882	1,343,882	2,073,806	(729,924)
Total expenditures	<u>\$ 6,243,293</u>	<u>\$ 16,655,822</u>	<u>\$ 9,912,356</u>	<u>\$ 6,743,466</u>
Deficiency of revenues under expenditures	\$ (1,800,000)	<u>\$ (12,212,529)</u>	<u>\$ (5,294,448)</u>	<u>\$ 6,918,081</u>
OTHER FINANCING SOURCES				
Operating transfers in	1,800,000	1,800,000	1,283,440	(516,560)
Total other financing sources	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>	<u>\$ 1,283,440</u>	<u>\$ (516,560)</u>
Net change in fund balances	\$ -	\$ (10,412,529)	\$ (4,011,008)	\$ 6,401,521
Fund balances - beginning	-	10,412,529	9,368,764	(1,043,765)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,357,756</u>	<u>\$ 5,357,756</u>

CITY OF HOPEWELL, VIRGINIA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2020

	Recreation Fund	Community Development Block Grant Fund	Anti-Litter Fund	Total
Assets				
Cash and investments	\$ 264,319	\$ 138,070	\$ 100,569	\$ 502,958
Receivables, net of allowance for uncollectibles	2,304	20,721	2	23,027
Total assets	<u>\$ 266,623</u>	<u>\$ 158,791</u>	<u>\$ 100,571</u>	<u>\$ 525,985</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 18,059	\$ 80,756	\$ 1,050	\$ 99,865
Accrued liabilities	48,993	2,202	-	51,195
Due to other funds	12,749	19,831	-	32,580
Due to other governments	-	105,364	-	105,364
Total liabilities	<u>\$ 79,801</u>	<u>\$ 208,153</u>	<u>\$ 1,050</u>	<u>\$ 289,004</u>
Fund balances:				
Assigned	\$ -	\$ -	\$ 99,521	\$ 99,521
Unassigned	186,822	(49,362)	-	137,460
Total fund balances	<u>\$ 186,822</u>	<u>\$ (49,362)</u>	<u>\$ 99,521</u>	<u>\$ 236,981</u>
Total liabilities and fund balances	<u>\$ 266,623</u>	<u>\$ 158,791</u>	<u>\$ 100,571</u>	<u>\$ 525,985</u>

CITY OF HOPEWELL, VIRGINIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2020**

	<u>Recreation Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Anti-Litter Fund</u>	<u>Total</u>
REVENUES				
Revenues from use of money and property	\$ 24,863	\$ -	\$ -	\$ 24,863
Charges for services	107,619	-	-	107,619
Miscellaneous	26,661	2,750	-	29,411
Intergovernmental:				
Commonwealth	3,452	-	3,895	7,347
Federal	-	150,585	-	150,585
Total revenues	\$ <u>162,595</u>	\$ <u>153,335</u>	\$ <u>3,895</u>	\$ <u>319,825</u>
EXPENDITURES				
Current:				
Public works	\$ -	\$ -	\$ 4,169	\$ 4,169
Parks, recreation, and cultural	1,663,546	-	-	1,663,546
Community development	-	383,380	-	383,380
Total expenditures	\$ <u>1,663,546</u>	\$ <u>383,380</u>	\$ <u>4,169</u>	\$ <u>2,051,095</u>
Deficiency of revenues over (under) expenditures	\$ <u>(1,500,951)</u>	\$ <u>(230,045)</u>	\$ <u>(274)</u>	\$ <u>(1,731,270)</u>
OTHER FINANCING SOURCES				
Operating transfers in	\$ <u>1,715,560</u>	\$ -	\$ -	\$ <u>1,715,560</u>
Total other financing sources	\$ <u>1,715,560</u>	\$ -	\$ -	\$ <u>1,715,560</u>
Net change in fund balances	\$ 214,609	\$ (230,045)	\$ (274)	\$ (15,710)
Fund balance - beginning	(27,787)	180,683	99,795	252,691
Fund balance - ending	\$ <u><u>186,822</u></u>	\$ <u><u>(49,362)</u></u>	\$ <u><u>99,521</u></u>	\$ <u><u>236,981</u></u>

CITY OF HOPEWELL, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Recreation Fund
For the Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Revenues from use of money and property	\$ 25,000	\$ 24,863	\$ (137)
Charges for services	173,050	107,619	(65,431)
Miscellaneous	-	26,661	26,661
Intergovernmental:			
Commonwealth	-	3,452	3,452
Total revenues	<u>\$ 198,050</u>	<u>\$ 162,595</u>	<u>\$ (35,455)</u>
EXPENDITURES			
Current -			
Parks, recreation, and cultural	<u>\$ 1,913,610</u>	<u>\$ 1,663,546</u>	<u>\$ 250,064</u>
Total expenditures	<u>\$ 1,913,610</u>	<u>\$ 1,663,546</u>	<u>\$ 250,064</u>
Deficiency of revenues under expenditures	<u>\$ (1,715,560)</u>	<u>\$ (1,500,951)</u>	<u>\$ 214,609</u>
OTHER FINANCING SOURCES			
Operating transfers in	\$ 1,715,560	\$ 1,715,560	-
Operating transfers out	-	-	-
Total other financing sources	<u>\$ 1,715,560</u>	<u>\$ 1,715,560</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ 214,609	\$ 214,609
Fund balances - beginning	-	(27,787)	(27,787)
Fund balances - ending	<u>\$ -</u>	<u>\$ 186,822</u>	<u>\$ 186,822</u>

CITY OF HOPEWELL, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Community Development Block Grant Fund

For the Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Miscellaneous	\$ (30,403)	\$ 2,750	\$ 33,153
Intergovernmental			
Federal	388,193	150,585	(237,608)
Total revenues	<u>\$ 357,790</u>	<u>\$ 153,335</u>	<u>\$ (204,455)</u>
EXPENDITURES			
Current -			
Community development	\$ 830,065	\$ 383,380	\$ 446,685
Total expenditures	<u>\$ 830,065</u>	<u>\$ 383,380</u>	<u>\$ 446,685</u>
OTHER FINANCING SOURCES			
Operating transfers in	\$ -	\$ -	\$ -
Net change in fund balances	\$ (472,275)	\$ (230,045)	\$ 242,230
Fund balances - beginning	-	180,683	180,683
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ (49,362)</u></u>	<u><u>\$ 422,913</u></u>

CITY OF HOPEWELL, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Anti-Litter Fund
For the Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental			
Commonwealth	\$ 6,063	\$ 3,895	\$ (2,168)
Total revenues	<u>\$ 6,063</u>	<u>\$ 3,895</u>	<u>\$ (2,168)</u>
EXPENDITURES			
Current -			
Public works	\$ 6,063	\$ 4,169	\$ 1,894
Total expenditures	<u>\$ 6,063</u>	<u>\$ 4,169</u>	<u>\$ 1,894</u>
Net change in fund balances	\$ -	\$ (274)	\$ (274)
Fund balances - beginning	-	99,795	99,795
Fund balances - ending	<u>\$ -</u>	<u>\$ 99,521</u>	<u>\$ 99,521</u>

CITY OF HOPEWELL, VIRGINIA

Statement of Changes in Fiduciary Assets and Liabilities

Agency Fund

For the Year Ended June 30, 2020

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets -				
Cash and cash equivalents	\$ 37,688	\$ 26,274	\$ 18,545	\$ 45,417
Liabilities -				
Amounts held for social services clients	\$ 37,688	\$ 26,274	\$ 18,545	\$ 45,417
Healthy Families:				
Assets -				
Cash and cash equivalents	\$ 80,083	\$ 240,728	\$ 165,679	\$ 155,132
Liabilities -				
Amounts held for Healthy Family Funds	\$ 80,083	\$ 240,728	\$ 165,679	\$ 155,132
Police Evidence Fund				
Assets -				
Cash and cash equivalents	\$ 132,161	\$ 75,304	\$ 184,986	\$ 22,479
Liabilities -				
Amounts held disposition	\$ 132,161	\$ 75,304	\$ 184,986	\$ 22,479
Total Agency Fund:				
Assets -				
Cash and cash equivalents	\$ 249,932	\$ 342,306	\$ 369,210	\$ 223,028
Liabilities -				
Amounts held for others	\$ 249,932	\$ 342,306	\$ 369,210	\$ 223,028

CITY OF HOPEWELL, VIRGINIA

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2020

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Building and Bus Replacement Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,131,565	\$ 648,707	\$ 747,354	\$ -	\$ 9,527,626
Receivables, net of allowance for uncollectibles	24,094	2,500	-	-	26,594
Due from other funds	34,794	-	-	-	34,794
Due from other governmental units	2,399,002	31,593	-	-	2,430,595
Inventories	-	92,204	-	-	92,204
Total assets	<u>\$ 10,589,455</u>	<u>\$ 775,004</u>	<u>\$ 747,354</u>	<u>\$ -</u>	<u>\$ 12,111,813</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 942,455	\$ 30,006	\$ -	\$ -	\$ 972,461
Accrued liabilities	4,065,187	100,104	-	-	4,165,291
Due to other funds	-	7,443	-	27,351	34,794
Due to primary government	3,610,064	-	-	-	3,610,064
Unearned revenues	1,971,749	-	-	-	1,971,749
Total liabilities	<u>\$ 10,589,455</u>	<u>\$ 137,553</u>	<u>\$ -</u>	<u>\$ 27,351</u>	<u>\$ 10,754,359</u>
Fund balances:					
Nonspendable	\$ -	\$ 92,204	\$ -	\$ -	\$ 92,204
Restricted	-	545,247	747,354	-	1,292,601
Unassigned	-	-	-	(27,351)	(27,351)
Total fund balances	<u>\$ -</u>	<u>\$ 637,451</u>	<u>\$ 747,354</u>	<u>\$ (27,351)</u>	<u>\$ 1,357,454</u>
Total liabilities and fund balances	<u>\$ 10,589,455</u>	<u>\$ 775,004</u>	<u>\$ 747,354</u>	<u>\$ -</u>	<u>\$ 12,111,813</u>

Total fund balances per above \$ 1,357,454

Amounts 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.

Capital assets	\$ 52,668,933	
Less: accumulated depreciation	<u>(24,106,215)</u>	28,562,718

Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$ (1,234,981)	
Net pension liability	(42,889,228)	
Deferred outflow - pension	9,852,673	
Deferred inflow - pension	(4,300,811)	
Net OPEB liability	(11,251,459)	
Deferred outflow - OPEB	2,009,193	
Deferred inflow - OPEB	(362,695)	
Note payable to the Primary Government	<u>(1,000,458)</u>	<u>(49,177,766)</u>

Net position of governmental activities \$ (19,257,594)

CITY OF HOPEWELL, VIRGINIA

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2020**

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Textbook Fund</u>	<u>Building and Bus Replacement Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Use of money and property	\$ -	\$ -	\$ 30	\$ -	\$ 30
Charges for services	9,366	78,684	-	-	88,050
Miscellaneous	247,708	-	-	-	247,708
Intergovernmental:					
Local government	11,014,092	-	-	2,903,359	13,917,451
Commonwealth	33,021,402	24,401	313,850	-	33,359,653
Federal	5,253,121	2,175,284	-	-	7,428,405
Total revenues	\$ <u>49,545,689</u>	\$ <u>2,278,369</u>	\$ <u>313,880</u>	\$ <u>2,903,359</u>	\$ <u>55,041,297</u>
EXPENDITURES					
Current:					
Administration	\$ 1,567,498	\$ 2,745,750	\$ -	\$ -	\$ 4,313,248
Instruction	37,553,478	-	144,866	-	37,698,344
Operating	10,424,713	-	-	-	10,424,713
Capital projects	-	-	-	196,751	196,751
Total expenditures	\$ <u>49,545,689</u>	\$ <u>2,745,750</u>	\$ <u>144,866</u>	\$ <u>196,751</u>	\$ <u>52,633,056</u>
Net change in fund balances	\$ -	\$ (467,381)	\$ 169,014	\$ 2,706,608	\$ 2,408,241
Fund balances - beginning	-	1,104,832	578,340	(2,733,959)	(1,050,787)
Fund balances - ending	\$ <u>-</u>	\$ <u>637,451</u>	\$ <u>747,354</u>	\$ <u>(27,351)</u>	\$ <u>1,357,454</u>
Net change in fund balances - total governmental funds - per above				\$	2,408,241
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 those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.					
Capital outlay, net of disposals				\$ 674,634	
Net change in City's interest in School assets				873,276	
Depreciation expense				<u>(1,747,429)</u>	(199,519)
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.					
Increase in compensated absences				\$ (191,520)	
Increase in OPEB activity				(144,817)	
Decrease in pension activity				(277,956)	
Decrease in note payable to the Primary Government				<u>131,970</u>	<u>(482,323)</u>
Change in net position of governmental activities				\$	<u>1,726,399</u>

CITY OF HOPEWELL, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2020

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ 200	\$ 200	\$ -	\$ (200)
Charges for services	43,000	43,000	9,366	(33,634)
Miscellaneous	15,000	15,000	247,708	232,708
Intergovernmental:				
Local government	17,532,059	17,532,059	11,014,092	(6,517,967)
Commonwealth	33,713,123	33,713,123	33,021,402	(691,721)
Federal	5,006,149	5,006,149	5,253,121	246,972
Total revenues	<u>\$ 56,309,531</u>	<u>\$ 56,309,531</u>	<u>\$ 49,545,689</u>	<u>\$ (6,763,842)</u>
EXPENDITURES				
Current:				
Education	\$ 53,574,380	\$ 53,574,380	\$ 49,402,378	\$ 4,172,002
Debt service	3,179,904	3,179,904	143,311	3,036,593
Total expenditures	<u>\$ 56,754,284</u>	<u>\$ 56,754,284</u>	<u>\$ 49,545,689</u>	<u>\$ 7,208,595</u>
Net change in fund balance	\$ (444,753)	\$ (444,753)	\$ -	\$ 444,753
Fund balance - beginning	444,753	444,753	-	(444,753)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOPEWELL, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2020

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ 100	\$ 100	\$ -	\$ (100)
Charges for services	187,600	187,600	78,684	(108,916)
Intergovernmental:				
Commonwealth	62,007	62,007	24,401	(37,606)
Federal	2,350,000	2,350,000	2,175,284	(174,716)
Total revenues	<u>\$ 2,599,707</u>	<u>\$ 2,599,707</u>	<u>\$ 2,278,369</u>	<u>\$ (321,338)</u>
EXPENDITURES				
Current:				
Education	\$ 3,631,851	\$ 3,631,851	\$ 2,745,750	\$ 886,101
Operations and maintenance	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	<u>\$ 3,631,851</u>	<u>\$ 3,631,851</u>	<u>\$ 2,745,750</u>	<u>\$ 886,101</u>
Net change in fund balance	\$ (1,032,144)	\$ (1,032,144)	\$ (467,381)	\$ 564,763
Fund balance - beginning	1,032,144	1,032,144	1,104,832	72,688
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 637,451</u>	<u>\$ 637,451</u>

CITY OF HOPEWELL, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2020

	School Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ 100	\$ 100	\$ 30	\$ (70)
Intergovernmental				
Commonwealth	322,716	322,716	313,850	(8,866)
Total revenues	<u>\$ 322,816</u>	<u>\$ 322,816</u>	<u>\$ 313,880</u>	<u>\$ (8,936)</u>
EXPENDITURES				
Current:				
Education	\$ 500,000	\$ 500,000	\$ 144,866	\$ 355,134
Total expenditures	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 144,866</u>	<u>\$ 355,134</u>
Net change in fund balance	\$ (177,184)	\$ (177,184)	\$ 169,014	\$ 346,198
Fund balance - beginning	177,184	177,184	578,340	401,156
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 747,354</u>	<u>\$ 747,354</u>

CITY OF HOPEWELL, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2020

	Building and Bus Replacement Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ 300	\$ 300	\$ -	\$ (300)
Intergovernmental revenues -				
Local government	5,155,904	5,155,904	2,903,359	(2,252,545)
Total revenues	<u>\$ 5,156,204</u>	<u>\$ 5,156,204</u>	<u>\$ 2,903,359</u>	<u>\$ (2,252,845)</u>
EXPENDITURES				
Capital projects:				
Capital outlay	\$ 2,307,384	\$ 2,307,384	\$ 196,751	\$ 2,110,633
Total expenditures	<u>\$ 2,307,384</u>	<u>\$ 2,307,384</u>	<u>\$ 196,751</u>	<u>\$ 2,110,633</u>
Net change in fund balances	\$ 2,848,820	\$ 2,848,820	\$ 2,706,608	\$ (142,212)
Fund balances - beginning	(2,848,820)	(2,848,820)	(2,733,959)	114,861
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,351)</u>	<u>\$ (27,351)</u>

CITY OF HOPEWELL, VIRGINIA

Balance Sheet
 Discretely Presented Component Unit - Children's Services Act Board
 June 30, 2020

ASSETS

Interest receivable	\$	-
Due from other governmental units		765,154
Due from primary government		651,894
Total assets	\$	<u>773,060</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$	229,961
Accrued liabilities		(4,225)
Due to the Commonwealth of Virginia		1,457,221
Total liabilities	\$	<u>1,682,957</u>

Fund balances:

Assigned	\$	<u>(909,897)</u>
Total fund balance		<u>(909,897)</u>
Total liabilities and fund balances	\$	<u>773,060</u>

CITY OF HOPEWELL, VIRGINIA

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - Children's Services Act Board
For the Year Ended June 30, 2020**

REVENUES	
Miscellaneous	\$ 28,533
Intergovernmental	
Local government	-
Commonwealth	3,088,514
Federal	45,227
Total revenues	\$ <u>3,162,274</u>
EXPENDITURES	
Current:	
Health and welfare	\$ <u>3,235,951</u>
Total expenditures	\$ <u>3,235,951</u>
Excess of revenues over expenditures	\$ <u>(73,677)</u>
Net change in fund balance	\$ (73,677)
Fund balance - beginning	<u>(745,766)</u>
Fund balance - ending	\$ <u><u>(819,443)</u></u>

Supporting Schedules

CITY OF HOPEWELL, VIRGINIA

Schedule of Revenues and Expenditures - Budget and Actual

Recreation Fund

For the Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Positive (Negative)
Revenues:			
Revenues from local sources:			
Revenues from use of money and property:	\$ 25,000	\$ 24,863	\$ (137)
Total revenues from use of money and property	<u>\$ 25,000</u>	<u>\$ 24,863</u>	<u>\$ (137)</u>
Charges for services	\$ 173,050	\$ 107,619	\$ (65,431)
Total charges for services	<u>\$ 173,050</u>	<u>\$ 107,619</u>	<u>\$ (65,431)</u>
Miscellaneous revenues:			
Miscellaneous refunds and grants	\$ -	\$ 26,661	\$ 26,661
Total miscellaneous revenues	<u>\$ -</u>	<u>\$ 26,661</u>	<u>\$ 26,661</u>
Total revenues from local sources	<u>\$ 198,050</u>	<u>\$ 159,143</u>	<u>\$ (38,907)</u>
Intergovernmental:			
Revenue from the Commonwealth			
Other state aid	\$ -	\$ 3,452	\$ 3,452
Total revenues	<u>\$ 198,050</u>	<u>\$ 162,595</u>	<u>\$ (35,455)</u>
Expenditures:			
Parks, recreation, and cultural:			
Parks and recreation:			
Recreation centers and playgrounds	\$ 642,295	\$ 560,571	\$ 81,724
Events	158,353	119,554	38,799
Athletics division	137,733	131,950	5,783
Seniors' division	147,079	95,480	51,599
Pool	229,525	210,649	18,876
Parks	553,203	490,236	62,967
Marina	25,000	16,797	8,203
Grants	20,422	30,980	(10,558)
Total parks and recreation	<u>\$ 1,913,610</u>	<u>\$ 1,656,217</u>	<u>\$ 257,393</u>
Total expenditures	<u>\$ 1,913,610</u>	<u>\$ 1,656,217</u>	<u>\$ 257,393</u>

CITY OF HOPEWELL, VIRGINIA

Schedule of Revenues and Expenditures - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
Revenues			
Intergovernmental:			
Commonwealth	\$ 1,080,516	\$ 1,307,445	\$ 226,929
Federal	100,000	16,506	(83,494)
Total revenues from other governments	<u>\$ 1,180,516</u>	<u>\$ 1,323,951</u>	<u>\$ 143,435</u>
Local sources -			
Other local taxes:			
Hotel and motel room taxes	\$ 850,000	\$ -	\$ (850,000)
Restaurant food taxes	2,300,000	2,340,867	40,867
Total other local taxes	<u>\$ 3,150,000</u>	<u>\$ 2,340,867</u>	<u>\$ (809,133)</u>
Revenues from use of money and property -			
Revenue from the use of money	\$ 112,777	\$ 752,536	\$ 639,759
Total revenues from use of money and property	<u>\$ 112,777</u>	<u>\$ 752,536</u>	<u>\$ 639,759</u>
Miscellaneous revenues -			
Other miscellaneous	\$ -	\$ 200,554	\$ 200,554
Total miscellaneous revenues	<u>\$ -</u>	<u>\$ 200,554</u>	<u>\$ 200,554</u>
Total revenue from local sources	<u>\$ 3,262,777</u>	<u>\$ 3,293,957</u>	<u>\$ 31,180</u>
Total revenues	<u><u>\$ 4,443,293</u></u>	<u><u>\$ 4,617,908</u></u>	<u><u>\$ 174,615</u></u>
Expenditures			
Capital Projects:			
Equipment	\$ 11,993,844	\$ 566,558	\$ 11,427,286
Parks and recreation	-	143,146	(143,146)
Other projects	-	569	(569)
Streets, curbs, and gutters	-	3,330,445	(3,330,445)
Total capital projects	<u>\$ 11,993,844</u>	<u>\$ 4,079,158</u>	<u>\$ 7,914,686</u>
Debt Service:			
Principal retirement	\$ 3,318,096	\$ 3,744,025	\$ (425,929)
Interest and other fiscal charges	1,343,882	2,073,806	(729,924)
Total debt service	<u>\$ 4,661,978</u>	<u>\$ 5,817,831</u>	<u>\$ (1,155,853)</u>
Total expenditures	<u><u>\$ 16,655,822</u></u>	<u><u>\$ 9,896,989</u></u>	<u><u>\$ 6,758,833</u></u>

CITY OF HOPEWELL, VIRGINIA

Schedule of Revenues - Budget and Actual
 Component Unit School Board
 For the Year Ended June 30, 2020

Fund, Major, and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenues from local sources:				
Revenues from use of money and property -				
Revenues from the use of money	\$ 200	\$ 200	\$ -	(200)
Charges for services - Charges for education	43,000	43,000	9,366	(33,634)
Miscellaneous revenues - Wallace Foundation Grant	-	-	126,138	126,138
Outside Sources				
Other miscellaneous	15,000	15,000	121,570	106,570
Total revenues from local sources	<u>\$ 58,200</u>	<u>\$ 58,200</u>	<u>\$ 257,074</u>	<u>\$ 198,874</u>
Intergovernmental revenues:				
Revenues from local governments -				
Contribution from the City of Hopewell, Virginia	\$ 17,532,059	\$ 17,532,059	\$ 11,014,092	\$ (6,517,967)
Total revenues from local governments	<u>\$ 17,532,059</u>	<u>\$ 17,532,059</u>	<u>\$ 11,014,092</u>	<u>\$ (6,517,967)</u>
Revenues from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,480,359	\$ 4,480,359	\$ 4,590,573	\$ 110,214
Basic school aid	14,423,191	14,423,191	13,810,507	(612,684)
Compensation Support	967,904	967,904	-	(967,904)
Remedial summer education	202,744	202,744	197,839	(4,905)
Special Education Regional	356,967	356,967	252,939	(104,028)
Special education foster care	11,035	11,035	9,097	(1,938)
Homebound education	48,423	48,423	31,694	(16,729)
Gifted and talented	157,047	157,047	152,733	(4,314)
Remedial education	1,121,767	1,121,767	1,090,948	(30,819)
Special education	2,089,692	2,089,692	2,032,280	(57,412)
Vocational	7,631	7,631	-	(7,631)
Vocational education	756,391	756,391	736,516	(19,875)
Social security fringe benefits	1,003,180	1,003,180	975,619	(27,561)
Retirement fringe benefits	2,214,688	2,214,688	2,153,843	(60,845)
Group life insurance benefits	67,306	67,306	65,457	(1,849)
Early reading intervention	237,041	237,041	223,724	(13,317)
At-risk payments	1,613,771	1,613,771	1,616,416	2,645
Primary class size	1,440,421	1,440,421	1,373,788	(66,633)
Education technology	326,000	326,000	314,000	(12,000)
Standards of Learning algebra readiness	105,358	105,358	109,691	4,333
Mentor teacher program	8,048	8,048	9,690	1,642
English as a second language	153,848	153,848	134,617	(19,231)
School Security Equipment Grant	-	-	221,085	221,085
Supplemental Support	1,177,663	1,177,663	967,904	(209,759)
Virginia preschool	735,921	735,921	725,840	(10,081)
Industry Certification	-	-	10,402	10,402
Other state funding	-	-	66,622	66,622
Lottery Proceeds	-	-	1,140,851	1,140,851
Project Graduation	6,727	6,727	6,727	-
Total categorical aid	<u>\$ 33,713,123</u>	<u>\$ 33,713,123</u>	<u>\$ 33,021,402</u>	<u>\$ (691,721)</u>
Total revenues from the Commonwealth	<u>\$ 33,713,123</u>	<u>\$ 33,713,123</u>	<u>\$ 33,021,402</u>	<u>\$ (691,721)</u>

CITY OF HOPEWELL, VIRGINIA

Schedule of Revenues - Budget and Actual (Continued)
Component Unit School Board
For the Year Ended June 30, 2020

Revenue from the federal government:

Categorical aid:

Title I	\$ 1,740,792	\$ 1,740,792	\$ 1,763,648	\$ 22,856
Impact Aid	20,000	20,000	25,460	5,460
Special Ed	980,910	980,910	916,802	(64,108)
Vocational Education	108,638	108,638	135,108	26,470
Title II	211,682	211,682	200,403	(11,279)
Title III	12,431	12,431	13,477	1,046
Title IV - Part A	123,018	123,018	57,840	(65,178)
E-Rate Funds	70,000	70,000	-	(70,000)
Early Childhood Quality	-	-	20,332	20,332
Head Start	1,299,350	1,299,350	1,347,444	48,094
JROTC	76,188	76,188	66,100	(10,088)
Preschool	23,140	23,140	47,892	24,752
Medicaid Reimbursements	200,000	200,000	495,769	295,769
21st Century Community Learn Ctr	140,000	140,000	162,846	22,846
Total categorical aid	\$ 5,006,149	\$ 5,006,149	\$ 5,253,121	\$ 246,972
Total revenue from the federal government	\$ 5,006,149	\$ 5,006,149	\$ 5,253,121	\$ 246,972
Total School Operating Fund	\$ 56,309,531	\$ 56,309,531	\$ 49,545,689	\$ (6,763,842)

School Cafeteria Fund:

Revenues from local sources:

Revenues from use of money and property

Revenue from the use of money	\$ 100	\$ 100	\$ -	\$ (100)
Charges for services - Cafeteria sales	187,600	187,600	78,684	(108,916)
Total revenues from local sources	\$ 187,700	\$ 187,700	\$ 78,684	\$ (109,016)

Intergovernmental revenues:

Revenue from the Commonwealth:

Categorical aid - School food program grant	\$ 62,007	\$ 62,007	\$ 24,401	\$ (37,606)
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Revenue from the federal government:

Categorical aid:

School food program grant	\$ 2,350,000	\$ 2,350,000	\$ 2,020,352	\$ (329,648)
USDA commodities	-	-	154,932	154,932
Total categorical aid	\$ 2,350,000	\$ 2,350,000	\$ 2,175,284	\$ (174,716)
Total revenues from the federal government	\$ 2,350,000	\$ 2,350,000	\$ 2,175,284	\$ (174,716)
Total School Cafeteria Fund	\$ 2,599,707	\$ 2,599,707	\$ 2,278,369	\$ (321,338)

School Textbook Fund:

Revenues from use of money and property -

Revenues from the use of money	\$ 100	\$ 100	\$ 30	\$ (70)
Total revenues from use of money and property	\$ 100	\$ 100	\$ 30	\$ (70)

Intergovernmental revenues:

Revenues from the Commonwealth:

Categorical aid - Textbook funds	\$ 322,716	\$ 322,716	\$ 313,850	\$ (8,866)
Total revenue from the Commonwealth	\$ 322,716	\$ 322,716	\$ 313,850	\$ (8,866)
Total School Textbook Fund	\$ 322,816	\$ 322,816	\$ 313,880	\$ (8,936)

Discretely Presented Component Unit - School Board:**Capital Projects Fund****Building and Bus Replacement Fund**

Revenues from use of money and property:

Revenues from the use of money	\$ 300	\$ 300	\$ -	\$ (300)
Total revenues from use of money and property	\$ 300	\$ 300	\$ -	\$ (300)

Revenue from local contribution:

Contribution from the City of Hopewell, Virginia	5,155,904	5,155,904	2,903,359	(2,252,545)
Total miscellaneous revenue	5,155,904	5,155,904	2,903,359	(2,252,545)
Total Building and Bus Replacement Fund	\$ 5,156,204	\$ 5,156,204	\$ 2,903,359	\$ (300)

Total Discretely Presented Component Unit - School Board	\$ 64,388,258	\$ 64,388,258	\$ 55,041,297	\$ (7,094,416)
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CITY OF HOPEWELL, VIRGINIA

**Schedule of Expenditures - Budget and Actual
Component Unit School Board
For the Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board				
School Operating Fund				
Education:				
Administration of schools -				
Administration	\$ 1,675,827	\$ 1,675,827	\$ 1,567,498	\$ 108,329
Total administration of schools	\$ 1,675,827	\$ 1,675,827	\$ 1,567,498	\$ 108,329
Instruction costs:				
Compensation	\$ 41,443,447	\$ 41,443,447	\$ 34,915,378	\$ 6,528,069
Supplies	-	-	936,714	(936,714)
Equipment	-	-	123,707	(123,707)
Purchased services	-	-	1,577,679	(1,577,679)
Total instruction costs	\$ 41,443,447	\$ 41,443,447	\$ 37,553,478	\$ 3,889,969
Operating costs:				
Attendance and health services	\$ 1,507,130	\$ 1,507,130	\$ 1,308,661	\$ 198,469
Pupil transportation	1,738,004	1,738,004	1,946,625	(208,621)
Operation and maintenance of school plant	4,924,600	4,924,600	4,564,308	360,292
Technology	2,285,372	2,285,372	2,461,808	(176,436)
Total operating costs	\$ 10,455,106	\$ 10,455,106	\$ 10,281,402	\$ 173,704
Total education	\$ 53,574,380	\$ 53,574,380	\$ 49,402,378	\$ 4,172,002
Operating costs -				
Debt service	\$ 3,179,904	\$ 3,179,904	\$ 143,311	\$ 3,036,593
Total School Operating Fund	\$ 56,754,284	\$ 56,754,284	\$ 49,545,689	\$ 7,208,595
School Cafeteria Fund:				
Education:				
School food services -				
Administration of school food program	\$ 3,631,851	\$ 3,631,851	\$ 2,745,750	\$ 886,101
Total education	\$ 3,631,851	\$ 3,631,851	\$ 2,745,750	\$ 886,101
Operations:				
Repair and replacement of equipment	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Total Operations and Maintenance	\$ -	\$ -	\$ -	\$ -
Capital project expenditures -				
Capital projects	\$ -	\$ -	\$ -	\$ -
Total capital projects	\$ -	\$ -	\$ -	\$ -
Total School Cafeteria Fund	\$ 3,631,851	\$ 3,631,851	\$ 2,745,750	\$ 886,101
School Textbook Fund:				
Education:				
Instruction	\$ 500,000	\$ 500,000	\$ 144,866	\$ 355,134
Total education	\$ 500,000	\$ 500,000	\$ 144,866	\$ 355,134
Total School Textbook Fund	\$ 500,000	\$ 500,000	\$ 144,866	\$ 355,134
Capital Projects Fund:				
Building and Bus Replacement Fund				
Education:				
Capital project expenditures:				
Other project costs	\$ 2,307,384	\$ 2,307,384	\$ 196,751	\$ 2,110,633
Total capital projects	\$ 2,307,384	\$ 2,307,384	\$ 196,751	\$ 2,110,633
Total Building and Bus Replacement Fund	\$ 2,307,384	\$ 2,307,384	\$ 196,751	\$ 2,110,633
Total Discretely Presented Component Unit - School Board	\$ 63,193,519	\$ 63,193,519	\$ 52,633,056	\$ 10,560,463

STATISTICAL SECTION

The Statistical Section of the City of Hopewell, Virginia's Comprehensive Annual Financial Report provides readers with additional detailed information as a context to assist in understanding what the information in the financial statements, accompanying notes, and required supplementary information indicates about the City's economic condition over an extended period of time. Information is presented in the following five categories:

	<u>Table</u>
Financial trends information Financial trends information is intended to help the reader understand and assess how the City's financial position has changed over time.	1 to 4
Revenue capacity information Revenue capacity information is intended to help the reader understand and access the City's ability to generate its most significant local revenue source, the property tax.	5 to 8
Debt capacity information Debt capacity information is intended to help the reader understand and assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	9 to 11
Demographic and economic information Demographic and economic information is intended to help the reader understand the socioeconomic environment within which the City's financial activities take place.	12 to 14
Operating information Operating information is intended to provide information about the City's services and capital asset resources to help the reader understand how the information in the financial report relates to the services the City provides and the activities it performs.	15 to 16

City of Hopewell, Virginia
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Government activities:										
Net investment in capital assets	\$ 409,366	\$ 2,934,686	\$ 8,237,548	\$ 9,806,936	\$ 15,515,897	\$ 42,341,331	\$ 21,178,316	\$ 23,610,873	\$ 20,717,233	\$ 21,499,064
Restricted	1,024,445	469,962	472,833	464,911	400,000	-	-	9,113,184	3,010,198	8,416,926
Unrestricted	21,485,263	20,049,644	20,446,091	17,328,832	(698,824)	(27,852,308)	(11,967,000)	(20,864,334)	(10,935,067)	(7,254,895)
Total governmental activities net position	\$ 22,919,074	\$ 23,454,292	\$ 29,156,472	\$ 27,600,679	\$ 15,217,073	\$ 14,489,023	\$ 9,211,316	\$ 11,859,723	\$ 12,792,364	\$ 22,661,095
Business-Type activities:										
Net investment in capital assets	\$ 3,522,077	\$ 4,439,464	\$ 5,573,075	\$ 11,156,352	\$ 31,226,996	\$ 70,349,924	\$ 69,097,135	\$ 89,723,070	\$ 84,506,585	\$ 84,923,479
Restricted	395,641	502,351	-	-	-	2,928,418	5,470,622	2,513,591	1,364,176	1,930,613
Unrestricted	20,539,183	24,658,155	25,967,344	21,645,447	21,759,463	23,928,638	40,214,037	23,499,817	39,165,047	42,213,029
Total Business-Type activities net position	\$ 24,456,901	\$ 29,599,970	\$ 31,540,419	\$ 32,801,799	\$ 52,986,459	\$ 97,206,980	\$ 114,781,794	\$ 115,736,478	\$ 125,035,808	\$ 129,067,121
Primary Government:										
Net investment in capital assets	\$ 3,931,443	\$ 7,374,150	\$ 13,810,623	\$ 20,963,288	\$ 46,742,893	\$ 112,691,255	\$ 90,275,451	\$ 113,333,943	\$ 105,223,818	\$ 106,422,543
Restricted	1,420,086	972,313	472,833	464,911	400,000	2,928,418	5,470,622	11,626,775	4,374,374	10,347,539
Unrestricted	42,024,446	44,707,799	46,413,435	38,974,279	21,060,639	(3,923,670)	28,247,037	2,635,483	28,229,980	34,958,134
Total Primary Government net position	\$ 47,375,975	\$ 53,054,262	\$ 60,696,891	\$ 60,402,478	\$ 68,203,532	\$ 111,696,003	\$ 123,993,110	\$ 127,596,201	\$ 137,828,172	\$ 151,728,216

City of Hopewell, Virginia
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Government activities:										
General government	\$ 6,104,946	\$ 8,303,573	\$ 8,482,373	\$ 9,598,375	\$ 7,471,201	\$ 5,065,483	\$ 6,866,234	\$ 6,215,800	\$ 8,349,380	\$ 7,348,086
Judicial administration	1,643,680	2,107,894	2,217,984	2,598,072	2,810,211	2,694,035	3,402,723	2,770,517	3,089,687	3,156,908
Public safety	10,761,188	11,841,600	11,720,652	14,012,598	16,464,074	14,031,657	17,912,446	15,882,264	17,009,696	17,567,686
Public works	5,338,658	4,203,248	711,805	1,540,362	3,227,810	5,794,089	6,673,096	5,556,497	5,505,517	6,993,775
Health and welfare	5,514,230	5,548,091	5,259,409	5,363,582	5,532,202	5,899,170	6,692,919	5,868,302	6,309,623	7,138,560
Education	15,960,520	14,701,888	13,675,250	13,266,424	15,202,676	13,995,712	14,670,760	14,263,836	13,476,096	16,717,398
Parks, recreation and cultural	1,187,879	2,311,175	2,462,345	2,530,959	2,408,566	2,421,366	2,764,579	2,622,864	2,606,604	2,569,491
Community development	2,885,797	735,236	729,140	896,763	868,640	2,301,148	2,957,552	2,675,118	1,520,487	1,443,587
Interest on long-term debt	2,228,636	1,836,461	1,655,027	1,325,884	2,608,205	2,252,111	2,651,880	2,482,681	2,582,954	2,319,540
Total governmental activities expenses	51,625,534	51,589,166	46,913,985	51,133,019	56,593,585	54,454,771	64,592,189	58,337,881	60,450,044	65,255,031
Business-Type activities:										
Public utilities	16,348,442	16,193,605	18,163,995	21,114,290	23,816,770	21,303,229	25,219,309	25,671,886	27,001,777	30,580,320
Total Primary Government expenses	67,973,976	67,782,771	65,077,980	72,247,309	80,410,355	75,758,000	89,811,498	84,009,767	87,451,821	95,835,351
Program Revenues										
Government activities:										
Charges for services:										
General government administration	7,620	3,913	4,464	3,718	-	395,800	896,400	398,025	12,580	1,146
Judicial administration	31,532	35,492	37,325	66,938	58,951	53,913	59,483	52,586	145,354	141,325
Public Safety	463,133	580,930	534,761	555,568	541,987	520,413	502,342	791,219	2,208,548	1,900,795
Public Works	19	1	3	7	-	-	-	-	-	-
Parks, recreation and cultural	296,931	253,921	245,420	198,885	145,507	153,249	136,730	157,279	142,277	107,619
Community development	70,194	58,448	51,959	82,410	-	-	-	-	-	-
Operating grants and contributions	10,569,646	10,125,073	10,227,954	9,987,193	10,615,538	11,244,004	11,667,396	13,245,385	12,076,798	11,784,190
Capital grants and contributions	361,697	2,400,955	481,634	316,105	245,093	593,982	1,500,096	1,294,311	1,553,685	1,323,951
Total governmental activities program revenues	11,800,772	13,458,733	11,583,520	11,210,824	11,607,076	12,961,361	14,762,447	15,938,806	16,139,242	15,259,026
Business-Type activities:										
Charges for services:										
Public utilities	18,537,642	17,775,706	18,358,264	22,385,729	21,134,708	26,589,787	27,599,966	26,908,965	28,709,333	36,398,508
Operating grants and contributions	-	-	-	-	-	21,906,801	6,889,200	-	-	-
Capital grants and contributions	82,284	3,100,000	1,160,000	-	23,492,801	13,305,001	2,982,290	715,867	1,198,767	21,360
Total Business-Type activities program revenues	18,619,926	20,875,706	19,518,264	22,385,729	44,627,509	61,801,589	37,471,456	27,624,832	29,908,100	36,419,868
Total Primary Government program revenues	30,420,698	34,334,439	31,101,784	33,596,553	56,234,585	74,762,950	52,233,903	43,563,638	46,047,342	51,678,894
Net (expense) / revenue:										
Governmental activities	(39,824,762)	(38,130,433)	(35,330,465)	(39,922,195)	(44,986,509)	(41,493,410)	(49,829,742)	(42,399,075)	(44,310,802)	(49,996,005)
Business-Type activities	2,271,484	4,682,101	1,354,269	1,271,439	20,810,739	40,498,360	12,252,147	1,952,946	2,906,323	5,839,548
Total	\$ (37,553,278)	\$ (33,448,332)	\$ (33,976,196)	\$ (38,650,756)	\$ (24,175,770)	\$ (995,050)	\$ (37,577,595)	\$ (40,446,129)	\$ (41,404,479)	\$ (44,156,457)

City of Hopewell, Virginia
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Revenues and other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 24,183,723	\$ 24,250,333	\$ 25,324,405	\$ 25,585,445	\$ 29,559,595	\$ 31,221,372	\$ 32,304,897	\$ 30,888,461	\$ 31,924,845	\$ 33,183,687
Local sales and use taxes	1,866,495	1,921,273	1,989,128	2,048,011	1,960,808	2,075,150	2,076,124	2,032,584	1,895,254	1,875,814
Consumer utility taxes	376,118	347,966	355,950	348,009	389,249	379,052	379,052	-	-	-
Business licenses taxes	1,766,087	1,568,560	1,738,831	1,773,174	1,756,407	1,844,640	1,715,614	1,796,068	1,876,430	1,937,800
Other local taxes	5,754,161	6,583,703	6,331,024	6,166,649	6,208,306	6,000,284	6,386,179	7,343,227	5,324,835	4,633,215
Unrestricted grants and contributions	1,618,030	1,968,030	1,768,999	1,628,873	-	-	(64,575)	-	1,618,029	2,333,414
Unrestricted revenues from use of money and property	154,399	98,440	110,552	78,461	93,151	121,552	173,092	287,697	366,864	860,891
Gain on disposal of capital assets	-	-	-	-	-	-	-	-	-	-
Interest rate subsidy	363,750	-	-	-	-	-	-	-	-	-
Miscellaneous	1,142,241	1,927,346	1,736,852	1,620,797	1,478,801	1,616,987	1,581,652	2,764,118	2,448,700	2,972,108
Loss on debt refunding	-	-	-	-	2,127,083	-	-	-	-	-
Transfers	-	-	(66,495)	(407,326)	502,000	-	-	-	-	-
Total governmental activities	37,225,004	38,665,651	39,289,246	38,842,093	44,075,400	43,259,037	44,552,035	45,112,155	45,454,957	47,796,929
Business-Type activities:										
Transfers	-	-	66,495	407,326	(502,000)	-	-	-	-	-
Miscellaneous	-	-	216,311	-	811,486	-	-	-	-	-
Unrestricted revenues from use of money and property	134,000	460,967	303,374	268,690	247,297	318,470	214,215	572,276	572,276	23,235
Total Business-Type activities	134,000	460,967	586,180	676,016	556,783	318,470	214,215	572,276	572,276	23,235
Total Primary Government	37,359,004	39,126,618	39,875,426	39,518,109	44,632,183	43,577,507	44,766,250	45,684,431	46,027,233	47,820,164
Special item - loss on capital contributed	-	-	(1,160,000)	-	-	-	-	-	-	-
Change in Net Position:										
Governmental activities	(2,599,758)	535,218	2,798,781	(1,080,102)	(911,109)	1,721,543	(5,277,707)	2,713,080	1,144,155	(2,199,076)
Business-Type activities	2,405,484	5,143,068	1,940,449	1,947,455	21,367,522	41,801,881	12,466,362	2,525,222	3,478,599	5,862,783
Total Primary Government	\$ (194,274)	\$ 5,678,286	\$ 4,739,230	\$ 867,353	\$ 20,456,413	\$ 43,523,424	\$ 7,188,655	\$ 5,238,302	\$ 4,622,754	\$ 3,663,707

Table 3

City of Hopewell, Virginia
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Fund:										
Reserved	\$ 352,873	\$ 484,090	\$ 507,710	\$ 506,019	\$ 463,095	\$ 61,714	\$ 63,734	\$ 74,181	\$ 482,946	\$ 81,099
Unreserved	7,433,145	7,185,036	7,185,036	7,577,377	8,129,327	7,888,552	7,181,491	6,927,648	6,927,648	6,959,114
Total General Fund	4,355,131	4,084,446	6,110,082	3,294,763	2,231,581	6,642,814	6,800,405	7,230,072	5,910,889	9,780,413
All other governmental funds:										
Reserved	\$ 12,141,149	\$ 11,753,572	\$ 13,802,828	\$ 11,378,159	\$ 10,824,003	\$ 14,593,080	\$ 14,045,630	\$ 14,231,901	\$ 13,321,483	\$ 16,820,626
Unreserved, reported in:										
Special Revenue Funds										
Capital Projects Funds										
Total all other Governmental funds	\$ 12,141,149	\$ 11,753,572	\$ 13,802,828	\$ 11,378,159	\$ 10,824,003	\$ 14,593,080	\$ 14,045,630	\$ 14,231,901	\$ 13,321,483	\$ 16,820,626
General Fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 6,199,005	\$ 1,495,273	\$ 1,258,783	\$ 1,132,247	\$ 1,000,458	\$ 1,234,771
Assigned	10,098,751	5,789,508	5,789,508	5,789,508	8,941,242	9,775,518	9,256,135	9,113,184	4,047,698	9,454,426
Unassigned	14,338,352	8,694,433	7,758,080	15,633,457	5,290,631	2,743,722	111,740	35,423	444,626	-
	(248)	(247)	-	-	-	-	(163,272)	(2,076,542)	(3,634,626)	(5,331,441)
Total all other Governmental funds	\$ 24,436,855	\$ 14,483,694	\$ 13,547,588	\$ 21,422,965	\$ 20,430,878	\$ 14,014,513	\$ 10,463,386	\$ 8,204,312	\$ 1,858,156	\$ 5,357,756

Note: Fiscal years 2009 and 2010 have not been restated per GASB 54.

City of Hopewell, Virginia
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues:										
General property taxes	\$ 23,818,310	\$ 23,481,976	\$ 26,459,832	\$ 25,308,595	\$ 29,022,830	\$ 31,060,801	\$ 28,478,608	\$ 29,786,192	\$ 29,902,032	\$ 31,503,195
Other local taxes	8,494,183	8,425,201	8,707,937	8,595,179	8,311,898	8,920,395	8,733,644	9,337,391	9,096,519	8,446,829
Permits, privilege fees/regulatory licenses	31,956	41,144	42,889	105,139	230,893	205,552	116,070	230,410	219,525	339,387
Fines and forfeitures	1,288,030	1,866,202	1,544,560	1,561,049	1,544,064	1,173,179	1,624,267	1,604,078	1,220,479	1,049,027
Revenue from use of money and property	369,081	293,153	275,553	220,657	93,151	121,551	173,087	287,697	366,864	860,891
Charges for services	587,937	680,400	662,134	684,206	746,445	740,875	716,256	1,020,962	1,068,754	762,471
Miscellaneous	227,644	1,148,605	2,323,369	2,083,113	1,370,570	1,594,944	1,837,872	2,776,929	2,448,700	2,972,108
Recovered costs	884,500	884,500	884,500	884,500	382,500	382,500	884,500	382,500	382,500	382,500
Intergovernmental	12,485,977	14,502,537	12,491,935	11,938,140	10,751,111	11,837,987	14,606,753	14,457,859	15,248,513	15,059,055
Total revenues	48,187,618	51,323,718	53,392,709	51,380,578	52,454,462	56,037,784	57,171,057	59,884,018	59,953,886	61,375,463
Expenditures:										
General government administration	2,836,083	2,946,336	3,038,151	3,887,357	4,034,781	4,542,624	5,001,250	5,763,177	7,318,845	6,295,920
Judicial administration	1,603,353	1,839,894	1,916,116	2,347,692	2,582,149	2,400,080	2,452,889	2,546,239	2,619,249	2,648,229
Public safety	10,220,079	11,107,197	10,966,050	13,363,832	13,545,791	13,624,877	14,442,125	15,109,267	15,347,327	15,701,870
Public works	3,414,050	3,468,258	3,570,454	3,927,276	4,296,811	4,411,354	4,670,494	4,598,672	4,821,853	4,851,642
Health and welfare	5,514,230	5,442,824	5,154,545	5,259,251	5,465,334	5,772,564	5,728,065	5,895,215	5,868,914	6,603,161
Education	20,957,047	21,060,268	11,102,916	10,787,674	14,301,637	11,408,787	12,114,545	12,182,187	12,176,403	13,917,451
Parks, recreation and cultural	2,080,477	2,273,806	2,114,530	2,165,055	2,246,089	2,275,373	2,299,279	2,557,405	2,356,102	2,306,061
Community development	793,509	657,839	718,234	889,540	868,628	1,015,885	1,384,553	920,915	1,427,528	1,351,990
Nondepartmental	5,075,563	4,866,933	5,153,440	1,056,007	1,563,876	1,284,415	1,903,189	1,772,438	1,636,912	1,588,595
Capital projects	4,167,481	3,552,164	3,003,770	4,190,524	5,618,260	5,105,645	5,809,777	4,831,176	8,215,749	4,094,525
Debt service:										
Principal	4,155,218	1,696,274	2,510,773	5,456,424	2,248,464	3,186,024	3,182,512	3,241,706	3,318,096	3,744,025
Interest	2,779,947	2,752,663	2,964,085	3,052,165	2,655,885	2,123,720	2,280,958	2,213,010	2,341,602	2,073,806
Total expenditures	63,597,037	61,664,456	52,213,064	56,382,797	59,427,705	57,151,348	61,269,636	61,631,407	67,448,580	65,177,275
Excess of revenues over (under) expenditures	(15,409,419)	(10,340,738)	1,179,645	(5,002,219)	(6,973,243)	(1,113,564)	(4,098,579)	(1,747,389)	(7,494,694)	(3,801,812)
Other financing sources (uses):										
Transfer in	3,986,103	3,493,901	4,688,553	6,663,226	5,601,896	5,217,372	5,181,590	5,287,651	4,340,290	3,981,243
Transfer out	(3,986,103)	(3,493,901)	(4,755,048)	(7,070,552)	(5,099,896)	(5,217,372)	(5,181,590)	(5,287,651)	(4,340,290)	(3,981,243)
Refunding bonds issued	-	-	-	-	-	-	-	-	-	-
Bonds issued	17,715,000	-	-	10,860,253	19,210,000	-	-	-	-	-
Premium on bonds issued	80,220	-	-	-	-	-	-	-	-	-
Refunded bonds redeemed	-	-	-	-	(14,285,000)	-	-	-	-	-
Capital lease proceeds	-	-	-	-	-	1,280,852	-	-	-	-
Interest rate subsidy	363,750	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	18,158,970	-	(66,495)	10,452,927	5,427,000	1,280,852	-	-	-	-
Net change in fund balances	\$ 2,749,551	\$(10,340,738)	\$ 1,113,150	\$ 5,450,708	\$ (1,546,243)	\$ 167,288	\$(4,098,579)	\$(1,747,389)	\$(7,494,694)	\$(3,801,812)
Debt service as a percentage of noncapital expenditures	11.77%	7.66%	11.70%	15.70%	9.11%	10.20%	9.85%	9.60%	9.56%	9.52%

Table 5

City of Hopewell, Virginia
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property Direct Tax Rate	Real Estate (1)	Personal Property Direct Tax Rate	Personal Property	M & T Property Direct Tax Rate	Machinery and Tools	Public Service	Total Direct Rate	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2020	1.13	\$ 1,378,278,000	3.50	\$ 131,812,946	3.05	\$ 268,354,358	\$ 371,426,588	1.51	\$ 2,149,871,892	\$ 2,139,122,533	100.50%
2019	1.13	\$ 1,366,701,500	3.50	129,520,769	3.05	290,803,910	396,788,105	1.53	\$ 2,183,814,284	\$ 2,172,895,213	100.50%
2018	1.13	\$ 1,326,388,100	3.50	122,775,152	3.05	287,133,116	362,719,625	1.53	\$ 2,099,015,993	\$ 2,088,520,913	100.50%
2017	1.13	1,528,290,500	3.50	120,380,318	3.05	287,133,116	362,719,625	1.49	2,298,523,559	2,287,030,941	100.50%
2016	1.13	1,525,757,500	3.50	118,531,957	3.05	264,711,192	385,528,920	1.47	2,294,529,569	2,283,056,921	100.50%
2015	1.13	1,523,579,400	3.50	114,728,924	3.05	242,698,070	383,685,396	1.46	2,264,691,790	2,253,368,331	100.50%
2014	1.08	1,515,543,600	3.50	110,899,806	3.05	229,392,148	365,587,338	1.40	2,221,422,892	2,210,315,778	100.50%
2013	1.08	1,500,249,500	3.50	108,045,354	3.05	154,636,072	351,556,622	1.35	2,114,487,548	2,103,915,110	100.50%
2012	1.02	1,330,768,380	3.50	122,695,512	3.05	131,032,392	331,805,550	1.32	1,916,301,834	1,906,720,325	100.50%
2011	0.99	1,359,312,700	3.50	129,530,486	3.05	179,111,467	344,749,605	1.33	2,012,704,258	2,002,643,728	100.50%

Source: Commissioner of Revenue for the City. Assessed values for Public Service are established by the State Corporation Commission and include both real estate and personal property values.

(1) Real Estate assessed value includes both residential and commercial values, a breakdown is currently not available.

City of Hopewell, Virginia
Direct Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property(2)	Machinery and Tools	Public Utility		Total Direct Rate (3)
				Real Estate	Personal Property	
2011	0.99	3.50	3.05	0.99	3.50	1.33
2012	1.02	3.50	3.05	1.02	3.50	1.32
2013	1.08	3.50	3.05	1.08	3.50	1.35
2014	1.11	3.50	3.05	1.08	3.50	1.36
2015	1.13	3.50	3.05	1.02	3.50	1.47
2016	1.13	3.50	3.05	1.02	3.50	1.47
2017	1.13	3.50	3.05	1.02	3.50	1.49
2018	1.13	3.50	3.05	1.02	3.50	1.51
2019	1.13	3.50	3.05	1.02	3.50	1.53
2020	1.13	3.50	3.05	1.13	3.50	1.51

(1) Per \$100 of assessed value.

(2) Personal property taxes are applied to the National Automobile Dealers Association (NADA) loan value.

(3) Weighted average for tax levy.

The City of Hopewell has no overlapping taxes.

City of Hopewell, Virginia
Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Fiscal Year 2020		Fiscal Year 2011	
	2019 Assessed Valuation	% of Total Assessed Valuation	2010 Assessed Valuation	% of Total Assessed Valuation
Virginia Electric & Power Company / Dominion Virginia Power	SCC	0.00%	SCC	0.00%
Advansix Resins & Chemicals LLC (1)	46,464,300	2.21%	36,814,100	1.90%
West Rock (2)	17,724,700	0.84%	16,912,500	0.87%
Columbia HCA / John Randolph Hospital	22,193,300	1.06%	26,820,800	1.38%
Hopewell Cogentric Limited Partnership	SCC	0.00%	SCC	0.00%
Ashland Aqualon Company (3)	30,059,200	1.43%	24,389,800	1.26%
Green Plains (4)	8,501,400	0.41%	21,617,800	1.12%
Virginia American Water Company	SCC	0.00%	SCC	0.00%
Evoniks (5)	16,125,100	0.77%	14,327,000	0.74%
James River Cogeneration Company	SCC	0.00%	SCC	0.00%
Total of Principal Property Taxpayers	\$ 141,068,000	6.72%	\$ 140,882,000	7.27%
Grand Total of All Taxpayers	\$ 2,099,015,993		\$ 1,936,967,611	

(1) Advansix Resins & Chemical LLC succeeded Honeywell/Allied
(2) West Rock succeeded Rock Tenn and Stone Container
(3) Green Plains succeeded Future Fuels
(4) Ashland Inc succeeded Aqualon
(5) Evoniks succeeded Evonik Goldschmidt Corp

Sources:
(a) Debra K. Reason, Commissioner of Revenue
(b) Patrizia Waggoner, Real Estate Assessor

City of Hopewell, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy
2020	\$ 33,458,147	\$ 15,097,273	45.12%	\$ -	-	\$ 15,097,273	45.12%
2019	31,865,655	19,450,139	94.34%	\$ -	-	19,450,139	61.04%
2018	32,683,120	30,832,816	94.34%	\$ -	-	30,832,816	94.34%
2017	32,023,520	30,143,321	94.13%	358,736		30,502,057	95.25%
2016	29,780,535	28,194,428	94.67%	389,166		28,583,594	95.98%
2015	28,194,700	27,452,021	97.37%	281,375		27,733,396	98.36%
2014	27,263,306	25,359,477	93.02%	1,664,975		27,024,452	99.12%
2013	25,910,451	25,275,937	97.55%	379,244		25,655,182	99.01%
2012	25,502,328	24,389,663	95.64%	937,291		25,326,953	99.31%
2011	25,806,316	24,573,947	95.22%	1,180,108		25,754,054	99.80%

Source: Municipal Tax Assessor

Table 9

City of Hopewell, Virginia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)	
	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	General Obligation Bond Premium	Capital Leases	Revenue Bonds	Revenue Premium	Capital Leases	Revenue Bonds	Revenue Premium				
2020	\$ 46,662,190	\$ 382,500	\$ -	\$ -	709,073	\$ 31,325,000	\$ 555,401	\$ -	\$ 31,325,000	\$ 555,401	\$ -	\$ 79,634,164	15.16%	\$ 3,458
2019	\$ 49,891,566	\$ 750,000	\$ -	\$ 31,860	856,226	\$ 32,825,000	\$ 549,098	\$ -	\$ 32,825,000	\$ 549,098	\$ -	\$ 84,903,750	9.69%	\$ 3,758
2018	\$ 52,690,350	\$ 1,125,000	\$ -	\$ 31,928	1,000,537	\$ 34,285,000	\$ 574,238	\$ -	\$ 34,285,000	\$ 574,238	\$ -	\$ 89,707,503	11.53%	\$ 3,971
2017	55,321,601	1,599,200	-	31,928	1,141,791	35,725,000	601,013	-	35,725,000	601,013	-	94,420,533	12.13%	4,180
2016	57,890,852	2,073,400	-	65,154	1,280,852	37,130,000	626,155	-	37,130,000	626,155	-	99,066,413	12.73%	4,385
2015	60,602,676	2,547,600	-	79,140	-	38,210,000	658,519	-	38,210,000	658,519	-	102,097,935	13.12%	4,519
2014	57,473,287	3,021,800	-	157,886	-	33,680,000	692,558	-	33,680,000	692,558	-	95,025,531	12.21%	4,206
2013	51,595,511	3,496,000	-	248,510	-	34,830,000	718,958	-	34,830,000	718,958	-	90,888,979	11.68%	4,023
2012	53,632,083	3,970,200	-	266,938	-	35,405,000	725,736	-	35,405,000	725,736	-	93,999,957	12.08%	4,161
2011	54,854,157	4,444,400	-	279,072	-	32,205,000	387,480	-	32,205,000	387,480	-	92,170,109	8.44%	4,080

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 12

City of Hopewell, Virginia
 Ratio of Net General Bonded Debt to
 Assessed Value and Net Bonded Debt Per Capita
 Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Bonded Debt per Capita (1)
2020	\$ 47,044,690	-	\$ 47,044,690	2.19%	\$ 2,043
2019	50,673,426	-	50,673,426	2.32%	2,243
2018	53,847,278	-	53,847,278	2.31%	2,384
2017	56,952,729	-	56,952,729	2.48%	2,521
2016	60,029,406	-	60,029,406	2.62%	2,657
2015	63,229,416	-	63,229,416	2.79%	2,799
2014	60,725,169	-	60,725,169	2.73%	2,688
2013	55,340,021	-	55,340,021	2.62%	2,450
2012	57,869,221	-	57,869,221	3.02%	2,562
2011	59,577,629	-	59,577,629	2.96%	2,637

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 12.

(2) See schedule of Real Estate Assessed Value and Estimated Actual Value of Taxable Property - Table 5.

(3) Includes all long-term general obligation bonded debt, Literacy Fund Loans, excludes revenue bonds, capital lease, and compensated absences.

Table 11

City of Hopewell, Virginia
Legal Debt Margin Information
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 135,931,270	\$ 133,076,838	\$ 130,445,020	\$ 133,262,850	\$ 130,418,300	\$ 152,575,750	\$ 152,829,050	\$ 153,420,680	\$ 157,643,920	\$ 158,864,270
Total net debt applicable to limit	59,577,629	57,869,221	55,340,021	60,725,169	63,229,416	60,029,406	56,952,729	53,847,278	50,673,426	47,044,690
Legal debt margin	\$ 76,353,641	\$ 75,207,617	\$ 75,104,999	\$ 72,537,681	\$ 67,188,884	\$ 92,546,344	\$ 95,876,321	\$ 99,573,402	\$ 106,970,494	\$ 111,819,580
Total net debt applicable to the limit as a percentage of debt limit	43.83%	43.49%	42.42%	45.57%	48.48%	39.34%	37.27%	35.10%	32.14%	29.61%

Source: Valuation bases were obtained from the Hopewell Real Estate Assessor's office.
(a) Limit set by Virginia Statute.

Assessed value	\$ 1,366,701,500
Add back: exempt real property	209,737,700
Total assessed value	<u>1,576,439,200</u>
Debt limit (10% of total assessed value) (a)	157,643,920
Net debt applicable to limit	50,673,426
Legal debt margin	<u>\$ 106,970,494</u>

City of Hopewell, Virginia
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2020	23,032	\$ 536,968,048	\$ 23,314	14.2%
2019	22,529	\$ 525,241,106	\$ 23,314	4.4%
2018	22,591	\$ 876,056,389	\$ 38,779	4.8%
2017	22,591	778,341,324	34,454	6.1%
2016	22,591	778,341,324	34,454	6.6%
2015	22,591	778,341,324	34,454	7.6%
2014	22,591	778,341,324	34,454	9.0%
2013	22,591	778,341,324	34,454	9.8%
2012	22,591	778,341,324	34,454	10.1%
2011	22,591	778,341,324	34,454	11.3%

Source:

(a) Population information provided by the U.S. Census Bureau.

(b) Personal income estimated based upon the municipal population and per capita income presented.

(c) Per capita personal income by municipality estimated based upon the 2000 census published by the U.S. Bureau of Economic Analysis.

(d) Unemployment data provided by the Virginia Employment Commission.

**City of Hopewell, Virginia
Principal Employers
Current Year and Period Nine Years Prior**

Employer	Fiscal Year 2020		Fiscal Year 2011	
	Employees	Rank	Employees	Rank
Hopewell City School Board	500 to 999 employees	1	500 to 999 employees	1
AdvanSix Inc	500 to 999 employees	2	500 to 999 employees	2
HCA Virginia Health System	500 to 999 employees	3	500 to 999 employees	3
City of Hopewell	250 to 499 employees	4	250 to 499 employees	4
Alliance Group Rock Tenn	250 to 499 employees	5	250 to 499 employees	6
Metz Division	250 to 499 employees	6	100 to 249 employees	8
Aqualon Company	250 to 499 employees	7	100 to 249 employees	7
DuPont Specialty Products USA LLC	100 to 249 employees	8	250 to 499 employees	5
Turner Specialty Services LLC	100 to 249 employees	9	n/a	n/a
Hopewell Operations LLC	100 to 249 employees	10	100 to 249 employees	10
Quality Specialities	100 to 249 employees	n/a	100 to 249 employees	9

Source: Virginia Employment Commission

(1) In FY 2009, Alliance Group Rock Tenn was Stone Container Corporation

(2) In FY 2009, Metz Division was Goldschmidt Chemical Corporation.

(3) In FY 2017, AdvanSix separated from Honeywell International Inc

City of Hopewell, Virginia
Full-Time City Government Employees by Function
Last Ten Fiscal Years

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government:										
City Clerk	1	2	1	1	1	1	1	1	2	2
City Attorney	2	2	2	2	2	-	-	-	-	1
City Manager	6	6	6	7	9	9	9	9	9	9
Finance Department	15	15	15	14	14	14	14	16	16	17
City Treasurer	5	5	5	5	5	5	5	5	5	6
Commissioner of Revenue	7	7	7	7	7	7	7	7	7	7
Voter Registrar	2	2	2	2	2	2	2	2	2	2
Judicial Administration:										
Clerk of Circuit Court	5	5	5	5	5	5	5	5	5	5
Commonwealth Attorney	7	7	7	6	6	6	6	6	6	6
Court Services	3	3	3	3	3	3	3	3	3	3
General District Court	-	1	1	1	1	1	1	1	1	1
Public Safety:										
Sheriff Department	9	10	10	10	12	12	12	12	12	12
Fire & Rescue	45	45	45	45	45	47	47	53	54	54
Building inspections	6	6	6	6	6	6	6	7	7	7
Police Department	76	76	76	82	82	82	82	82	82	82
Animal Control	1	1	1	1	2	2	2	3	3	3
Emergency Services	1	1	1	1	1	1	1	1	1	1
Public Works:										
General Maintenance	33	33	33	34	36	36	36	41	43	43
Landfill	2	2	2	2	2	2	2	2	3	3
Engineering	4	4	4	3	3	3	3	4	4	4
Sewer Services	60	60	60	61	61	61	61	58	60	61
Health & Welfare:										
Department of Social Services	40	40	40	40	40	40	44	58	53	56
Community Services Act	1	1	1	1	1	2	2	2	2	2
Culture and Recreation:										
Parks and Recreation	15	15	15	15	15	15	15	17	17	17
Tourism	1	1	1	1	-	-	-	-	-	-
Community Development	3	3	3	3	3	3	3	3	3	3
Planning	1	1	1	1	1	1	1	1	1	1
Totals	351	354	353	359	365	366	370	399	401	408

Source: Full-time city government employee positions authorized as part of the annual budget approval by City Council.

City of Hopewell, Virginia
Operating Indicators by Function
Last Ten Fiscal Years

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public safety										
Police department:										
E911 calls answered	17,075	17,329	24,655	14,205	19,516	19,701	19,701	18,602	15,550	15,550
Animal calls answered	2,757	3,028	2,818	2,917	2,960	2,712	2,473	2,411	2,935	2,081
Physical arrests	1,753	1,388	1,031	1,394	1,297	1,306	1,141	1,000	904	792
Civil papers										
Fire and rescue:										
Fire calls	3,430	3,687	3,213	3,352	3,138	3,477	4,394	5,219	5,256	5,124
EMS calls	3,505	3,615	3,545	3,556	1,296	4,001	3,822	4,115	4,187	4,182
Building inspections:										
Permits issued (all)	855	957	957	958	1,029	980	852	598	693	730
Inspections done (all)	482	2,560	2,560	2,297	4,007	1,313	2,281	3,854	3,083	3,828
Public works										
General maintenance:										
Work orders issued	1,429	2,346	2,501	3,196	2,688	2,701	2,393	2,470	2,469	2,241
Health and welfare										
Department of Social Services:										
Caseload*	10,707	10,911	10,911	11,446	12,324	8,652	11,888	13,469	12,265	12,928
Culture and recreation										
Parks and recreation:										
Community center visits	57,556	55,565	55,565	59,845	49,167	57,864	45,533	79,292	214,400	194,494
Summer program participants	1,303	N/A	N/A	N/A	223	1,511	2,069	4,197	3,205	1,400
Youth sports participants	4,461	N/A	N/A	2,235	737	711	908	812	840	960
Community development										
Planning:										
Zoning permits issued	218	291	291	539	167	199	186	215	270	161

Source: Individual city department workload counts.

* Average total case count.

City of Hopewell, Virginia
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government										
Administration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	6	6	6	5	5	7	9	9	9	9
Public Works										
Vehicles	43	43	46	48	48	47	49	51	51	48
Public Safety										
Police Department:										
Vehicles	60	60	60	60	53	55	59	74	80	77
Sheriff Department:										
Vehicles	14	14	16	18	18	19	23	22	27	25
Fire Department:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Fire trucks	6	6	5	5	5	7	7	6	5	5
Other vehicles	8	8	8	8	10	10	11	13	15	21
Building Inspectors:										
Vehicles	7	7	9	10	9	9	9	9	8	5
Culture and Recreation										
Parks and Recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	12	12	12	12	12	12	14	14	13	13
Parks acreage	161	161	161	161	161	161	161	226	226	226
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	14	14	14	14	14	14	14	6	6	6
Ballfields	20	20	20	20	20	20	20	6	6	6
Soccerfields	8	8	8	8	8	8	8	4	4	4

Source: City Fixed Asset System by City departments

Compliance



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**To the Honorable Members of
the City Council
City of Hopewell, 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 Hopewell, Virginia as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Hopewell, Virginia's basic financial statements and have issued our report thereon dated December 13, 2024

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hopewell, Virginia'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 of Hopewell, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hopewell, Virginia'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-01 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hopewell, Virginia'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-01.

City of Hopewell, Virginia's Response to Findings

City of Hopewell, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Hopewell, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
December 13, 2024



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

**To the City Council
City of Hopewell
City of Hopewell, Virginia**

Report on Compliance for Each Major Federal Program

We have audited the City of Hopewell, Virginia's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Hopewell, Virginia's major federal programs for the year ended June 30, 2020. City of Hopewell, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Hopewell, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hopewell, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Hopewell, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farnell, Cox Associates

Charlottesville, Virginia
December 13, 2024

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT
 FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor Pass Through Grantor Program or Cluster Title	Pass-through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Agriculture:			
<u>Pass Through Payments:</u>			
Virginia Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
Food Distribution	10.555/2017/2018	10.555	\$ 154,932
Department of Education:			
National School Lunch Program	10.555/2017/2018	10.555	1,253,163
Total 10.555			\$ 1,408,095
School Breakfast Program	10.553/2017/2018	10.553	535,006
Summer Food Service Program for Children	Not available	10.559	206,683
Total Child Nutrition Cluster			\$ 2,149,784
Child and Adult Care Food Program	Not available	10.558	25,500
Department of Social Services:			
SNAP Cluster:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	0010111/0010112/0040111/0040112	10.561	\$ 594,501
Total Department of Agriculture			\$ 2,769,785
Department of Defense:			
<u>Direct Payments:</u>			
JROTC	N/A	12.000	\$ 66,100
Total Department of Defense			\$ 66,100
Department of Housing and Urban Development:			
<u>Direct Payments:</u>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	N/A	14.228	\$ 150,585
Total Department of Housing and Urban Development			\$ 150,585
Department of Justice:			
<u>Pass Through Payments:</u>			
Department of Justice Crime Victim Assistance	unavailable	16.575	\$ 126,827
Total Department of Justice			\$ 126,827
Department of Transportation:			
<u>Pass Through Payments:</u>			
Virginia Department of Motor Vehicles: Highway Safety Cluster: State and Community Highway Safety	OP1656326	20.600	\$ 2,900
Total Department of Transportation			\$ 2,900
Department of Treasury			
<u>Direct Payments:</u>			
Equitable Sharing	N/A	21.016	\$ 3,171
Total Department of Treasury			\$ 3,171
Environmental Protection Agency:			
<u>Direct Payments:</u>			
Brownfields Assessment and Cleanup Cooperative Agreements	N/A	66.818	\$ 16,506
Total Environmental Protection Agency			\$ 16,506

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT
 FOR THE YEAR ENDED JUNE 30, 2020 (Continued)

Federal Grantor Pass Through Grantor Program or Cluster Title	Pass-through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Education:			
<u>Direct Payments:</u>			
Impact Aid	N/A	84.041	\$ 25,460
<u>Pass Through Payments:</u>			
Department of Education:			
Title I Grants to Local Educational Agencies	S010A120046/S011A130046	84.010	\$ 1,763,648
Special Education Cluster:			
Special Education - Grants to States	H027A120107/H027A130107	84.027	\$ 916,802
Special Education - Preschool Grants	H173A120112/H173A130112	84.173	47,892
Total Special Education Cluster		\$	964,694
Career and Technical Education - Basic Grants to States	V048A120046/V048A130046	84.048	135,108
Twenty-First Century Community Learning Centers	unavailable	84.287	162,846
English Language Acquisition State Grants	T365A120046	84.365	13,477
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	S367A110044/S367A120044	84.367	220,735
Student Support and Academic Enrichment Program	Not available	84.424	57,840
Total Department of Education			\$ 3,343,808
Department of Health and Human Services:			
<u>Direct Payments:</u>			
Head Start	N/A	93.600	\$ 1,347,444
<u>Pass Through Payments:</u>			
Department of Social Services:			
Promoting Safe and Stable Families	950112	93.556	\$ 19,443
		93.090	106
TANF Cluster:			
Temporary Assistance for Needy Families	0400111/0400112	93.558	367,895
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	0500110/0500111	93.566	648
Low-Income Home Energy Assistance	0600411/0600412	93.568	68,913
Child Care and Development Fund Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	0760111/0760112	93.596	67,280
Adoption and Legal Guardianship Incentive Payments	9160109	93.603	0
Stephanie Tubbs Jones Child Welfare Services Program	0900111/0900112	93.645	708
Foster Care-Title IV-E	1100111/1100112	93.658	318,566
Adoption Assistance	1120111/1120112	93.659	454,881
Social Services Block Grant	1000110/1000111	93.667	314,778
Chafee Foster Care Independence Program	9150111/9150112	93.674	3,689
Children's Health Insurance Program	0540111/0540112	93.767	9,487
Medicaid Cluster:			
Medical Assistance Program	1200111/1200112	93.778	608,270
Total Department of Social Services			\$ 2,234,664
Total Department of Health and Human Services			\$ 3,582,108
Department of Homeland Security:			
<u>Pass Through Payments:</u>			
Virginia Department of Emergency Services:			
Emergency Management Performance Grants	unavailable	97.042	\$ 13,442
State Homeland Security Grant Program	unavailable	97.067	0
Total Department of Homeland Security			\$ 13,442
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			\$ 10,075,232

See accompanying notes to schedule of expenditures of federal awards.

CITY OF HOPEWELL, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Hopewell, Virginia under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operations of the City of Hopewell, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Hopewell, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *the Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 4 - De Minimis Cost Rate

The City did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - Loan Balances

The City has no loans or loan guarantees which are subject to reporting requirements for the current year.

Note 7 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 146,340
Virginia Public Assistance Fund	2,783,938
Capital Projects Fund	16,506
Nonmajor Funds	<u>150,585</u>
Total primary government	\$ <u>3,097,369</u>
Component Unit School Board:	
School Operating Fund	\$ 5,253,121
School Cafeteria Fund	<u>2,175,284</u>
Total component unit school board	\$ <u>7,428,405</u>
Component Unit - Children's Services Act Board	\$ <u>45,227</u>
Total federal expenditures per basic financial statements	\$ <u>10,571,001</u>
Medicaid charges for services - School Board	\$ <u>(495,769)</u>
Federal interest subsidy	\$ <u>-</u>
School food difference	\$ <u>-</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>10,075,232</u></u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No
Identification of major programs:	

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster
93.600	Head Start
10.553/10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2020-001 City's and School Board's Finance Organization and Financial Statement Closing Process

Criteria:

The City and School Board have not established policies and procedures and an effective internal control framework that would enable the City and School Board to maintain financial records accurately and timely.

Tone at the Top

Control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation on which an effective system of internal control is built and operated in an organization that strives to:

1. Achieve its strategic objectives,
2. Provide reliable financial reporting to internal and external stakeholders,
3. Operate its business efficiently and effectively,
4. Comply with all applicable laws and regulations, and
5. Safeguard its assets.

Control environment factors include the integrity, ethical values, and competence of the City's personnel, management's philosophy and operating style, the way management assigns authority and responsibility, and organizes and develops its people, and the attention and direction provided by the City Council.

The Internal Control Framework would include establishing or enhancing guidance in the following areas:

- *Control environment* sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- *Risk assessment* is the entity's identification and analysis of relevant risks to achievement of its objectives, forming a basis for developing appropriate risk responses.
- *Control activities* are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system.
- *Information and communication* systems support the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities.
- *Monitoring* consists of activities management establishes and operates to assess the quality of performance over time.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Condition and Context:

City

Cash
Monthly Bank Reconciliations are not being performed timely or accurately by the Treasurer's Office in order to ensure the accuracy and completeness of the general ledger.

Investments
The Treasurer and the Finance Department are not familiar with the accounting for Investments. Account balances are maintained for investments accounts where the restrictions have expired and are available for general City purposes and not transferred to the consolidated account. Capital expenditures are paid from the consolidated bank account and not reimbursed from the respective bond investment accounts.

Taxes Receivable
The taxes receivable subsidiary accounts are not reconciled to the general ledger on a current basis.

Accounts receivable-HRWTF/Refunds
The commission members and customer accounts receivable and related refunds were not reconciled to the general ledger accounts on a timely basis. The Munis implementation balances had not been verified and were uploaded without a reconciliation to the general ledger. Additionally incorrect posting of receipts contributed to the issue. The refunds have not been calculated and recorded in the general ledger. The issue existed since the fiscal year 2015.

Accounts receivable- Utility Billing
The Sewer Services, Solid Waste, and Storm water Funds receivables could not be reconciled to the general ledger. The issue has existed since the fiscal year 2015.

Due from other governments -City/CSA
The revenues and receivables are not reconciled on a current basis in the general ledger to third party support (APA) on a timely basis.

Capital Projects Funds
The Capital Projects should only be used for acquisitions of capital assets costs in excess of \$10,000 or repairs in excess \$10,000 that have a life greater than one year per the City's capitalization policy. Significant purchases of amounts less than \$10,000 are recorded through the fund as opposed to current operations.

The Finance Department staff are not familiar with the accounting for bond proceeds that fund capital projects. When the costs are incurred they are paid from City's operating fund and should have a corresponding transfer from the bond investment accounts. The bond accounts have not been monitored on regular basis as to determine their propriety.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Condition and Context: (Continued)

City: (Continued)

Journal Entries (GNI)

The general ledger transactions and corrections were posted through a significant number of GNI's posting or correcting a significant amount of account codes during the year.

Adjusting Journal Entries

General ledger required a significant amount of adjusting entries to close and correct the general ledger to generate the financial statements. This issue has existed since fiscal year 2015.

Grant Accounting

The City historically budgeted grant revenues and expenditures for grants in the general fund, recreation fund and Capital project fund on functional basis other than CDBG funds which are accounted for in a specific special revenue fund based on HUD guidance. The Finance staff, without proper authorization or understanding of grant accounting and general ledger accounts, directed all departments receiving grants funds to post their expenditures in new accounts coded in the CDBG fund as well as in an agency fund.

Beacon Theatre

Beacon Theatre Enterprise Fund operations are managed by a third party. The information and support for the financial transactions are not provided in a detailed format sufficient to prepare complete and accurate financial statements. The Finance Department professional local government accounting consultants are required to summarize and verify the financial information and prepare financial statements.

School Board

Cash

The cash transactions of the receipts and disbursements are processed through the City's consolidated checking account in accordance with Virginia Statues. To ensure the accuracy of the transactions monthly reconciliations with the Treasurer are required to detect any errors. During FY 2020, these reconciliations were not performed in a timely manner.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Cause

City:

Cash

Treasurer's reconciliation process was and is not performed in a timely manner to prevent or detect errors. The Finance Department did not have processes in place to timely review the general ledger for accuracy. The implementation of the Munis system automated processes were not considered for certain areas which were recorded through journal entries pre implementation. The staff of the Treasurer and the Finance Department lack the knowledge, skill and experience to perform the duties necessary to prevent or detect errors.

Investments

The staff of the Treasurer and the Finance Department lack the knowledge, skill and experience to manage the investment accounts which includes the purpose of the accounts, long term planning and related provisions of contracts laws and regulations. Policies and procedures were not developed over investments with the transition to the new accounting system (MUNIS). Institutional knowledge of the Treasurer and Finance Department prior to the implementation was not incorporated.

Taxes Receivable

Inadequate training of Treasurer and the Finance Director staff on maintaining the general ledger and supervisory level staff not having the knowledge, skill and experience to develop policies and procedures and training for reconciling the taxes receivable subsidiary accounts to the general ledger resulted in the reconciliations not being performed. The reconciliation processes should be systemic (automated), but still requires a process for verifying that errors are properly corrected in the general ledger and sub ledgers in a timely manner.

Accounts Receivable-HRWTF/Refunds

The commission billing and related refunds prior to the implementation of MUNIS were processed in the Finance Department. With the Munis implementation the responsibilities were transferred to HRWTF. The staff were not provided adequate training on the new responsibilities and the MUNIS system. There was a lack of coordination between the Treasurer and the staff on receipt recording.

Accounts Receivable- Utility Billing

The City utilizes a third party to bill customers and collect the payments for the utility billings. Prior to implementation of MUNIS, the transactions transmitted were verified and posted manually to the general ledger by the Finance Department. This process was not integrated into the MUNIS system. The manual process was not performed after the implementation. Data was not available in a format to enable a manual reconciliation in the ensuing years.

Due from Other Governments -City/CSA

Reconciliations processes were not carried over or redesigned with the implementation of MUNIS system.

Capital Projects Funds

Policies and procedures have not been effectively designed or communicated to City staff. The Finance Department staff do not have the skills, knowledge or experience to manage the capital project funds.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Cause: (Continued)

City: (Continued)

Journal Entries (GNI)

Numerous transactions were recorded through the GNI to process transaction that should have been implemented in MUNIS. Numerous correcting entries were created due to the lack of adequate review and knowledge, skill and experience of the City's Staff.

Adjusting Journal Entries

The Finance Department staff lack the appropriate knowledge, skill and experience resulting in the general ledger being misstated in governmental and agency funds.

Grant Accounting

The Finance Department staff lack the appropriate knowledge, skill and experience resulting in the general ledger being misstated in governmental and agency funds.

Beacon Theatre

The City does not have processes in place to receive, review and monitor the operations of the Beacon Theatre on a current basis.

School Board

Cash

The School Board Finance Department did not have suitable monitoring processes in place to ensure the accuracy of the transactions communicated to the Treasurer to prevent or detect the errors on a timely basis.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Effect

City

Cash

Significant amount of time required by third party consultants to get the bank reconciliations completed and a significant amount of adjustments to get the general ledger complete and accurate and ready to be audited.

Investments

Taxes Receivable

There is a higher risk of the financial statements being misstated due to error or fraud. Inaccurate financial information limits management's ability to manage the City's resources.

Accounts receivable-HRWTF/Refunds

Accounts receivable- Utility Billing

Significant amount of time required by third party consultants to get the Accounts receivables and revenues complete and accurate for the financial statements. Inaccurate financial information limits management's ability to manage the City's resources.

Due from other governments -City/CSA

There is a higher risk of the financial statements being misstated due to error or fraud. Violation of laws and regulations and disallowance of grant funding. Inaccurate financial information limits management abilities to manage the City's resources.

Journal Entries (GNI)

Adjusting Journal Entries

Manual transaction processing defeats the purpose of a systemic integrated accounting system with embedded internal controls and increases the risk of misstatement of financial information due to error or fraud.

Grant Accounting

Beacon Theatre

There is a higher risk of the financial statements being misstated due to error or fraud. Mismanagement of the City's resources. Inaccurate financial information limiting management ability to manage the City's resources. Significant hours were required to analyze and create entries to correct the errors.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Effect: (Continued)

School Board

Cash

There is a higher risk of the financial statements being misstated due to error or fraud. Inaccurate financial information limits management ability to effectively manage the School Board's resources.

Summary

The City's inability to produce timely audited financial statements may impact the City's ability to acquire financing for long term City and School Board capital projects, eligibility for applying for other economic resources such as grants, hire qualified personnel and economic development.

Recommendation

It is recommended that the City and School Board perform an entity wide internal control risk assessment to develop and implement a corrective action plan to address the internal control deficiencies noted above. The risk assessment should be considered in the systemic environment internal control structure, financial processes, personnel and organizational structure.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings and questioned costs to report.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS IN INTERNAL CONTROL

Finding 2019-001 City's and School Board's Finance Organization and Financial Statement Closing Process

Condition:

City

Cash
Treasurer's 2019 bank reconciliation does not agree with adjusted general ledger and financial statements. The Auditor identified the May 16th tax revenue was posted multiple times and needed to be reversed. The auditor also identified the entry to record the state and federal revenue payment did not correctly debit the cash account.

Investments
The Treasurer and the Finance Department are not familiar with the accounting for Investments. Account balances are maintained for investments accounts where the restrictions have expired and are available for general City purposes and not transferred to the consolidated account. Capital expenditures are paid from the consolidated bank account and not reimbursed from the respective bond investment accounts.

Taxes Receivable
The taxes receivable subsidiary accounts are not reconciled to the general ledger on a current basis.

Accounts receivable-HRWTF/Refunds
The commission members and customer accounts receivable and related refunds were not reconciled to the general ledger accounts on a timely basis. The Munis implementation balances had not been verified and were uploaded without a reconciliation to the general ledger. Additionally incorrect posting of receipts contributed to the issue. The refunds have not been calculated and recorded in the general ledger. The issue existed since the fiscal year 2015.

Accounts receivable- Utility Billing
The Sewer Services, Solid Waste, and Storm water Funds receivables could not be reconciled to the general ledger. The issue has existed since the fiscal year 2015.

Due from other governments -City/CSA
The revenues and receivables are not reconciled on a current basis in the general ledger to third party support (APA) on a timely basis.

Capital Projects Funds
The Capital Projects should only be used for acquisitions of capital assets costs in excess of \$10,000 or repairs in excess \$10,000 that have a life greater than one year per the City's capitalization policy. Significant purchases of amounts less than \$10,000 are recorded through the fund as opposed to current operations.

The Finance Department staff are not familiar with the accounting for bond proceeds that fund capital projects. When the costs are incurred they are paid from City's operating fund and should have a corresponding transfer from the bond investment accounts. The bond accounts have not been monitored on regular basis as to determine their propriety.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESS IN INTERNAL CONTROL (CONTINUED)

Finding 2019-001 City's and School Board's Finance Organization and Financial Statement Closing Process (Continued)

Condition: (Continued)

City

Payroll liabilities

\$1.7 million in payments on payroll liabilities were posted in the general fund that were payments against payroll liabilities in other funds. The allocation of the payments required a manual allocation process to apply the payments to appropriate fund payroll liabilities.

Journal Entries (GNI)

The general ledger transactions and corrections were posted through 297 GNI's posting or correcting 6944 account codes during the year.

Adjusting Journal Entries

General ledger required more than 100 adjusting entries to close and correct the general ledger to generate the financial statements. This issue has existed since fiscal year 2015.

Grant Accounting

The City historically budgeted grant revenues and expenditures for grants in the general fund, recreation fund and Capital project fund on functional basis other than CDBG funds which are accounted for in a specific special revenue fund based on HUD guidance. The Finance staff, without proper authorization or understanding of grant accounting and general ledger accounts, directed all departments receiving grants funds to post their expenditures in new accounts coded in the CDBG fund as well as in an agency fund.

Beacon Theatre

Beacon Theatre Enterprise Fund operations are managed by a third party. The information and support for the financial transactions are not provided in a detailed format sufficient to prepare complete and accurate financial statements. The Finance Department professional local government accounting consultants are required to summarize and verify the financial information and prepare financial statements.

School Board

Cash

The cash transactions of the receipts and disbursements are processed through the City's consolidated checking account in accordance with Virginia Statutes. To ensure the accuracy of the transactions monthly reconciliations with the Treasurer are required to detect any errors. At June 30, 2019, there was a difference between School Board cash balances recorded in the Munis System and the cash balances per School Board records in the amount of \$882,594.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL STATEMENT FINDINGS (CONTINUED)

MATERIAL WEAKNESS IN INTERNAL CONTROL (CONTINUED)

**Finding 2019-001 City's and School Board's Finance Organization and Financial Statement Closing Process
(Continued)**

Recommendation:

It is recommended that the City and School Board perform an entity wide internal control risk assessment to develop and implement a corrective action plan to address the internal control deficiencies noted above. The risk assessment should be considered in the systemic environment internal control structure, financial processes, personnel and organizational structure.

Current Status:

Finding was repeated in the current year as finding 2020-001

