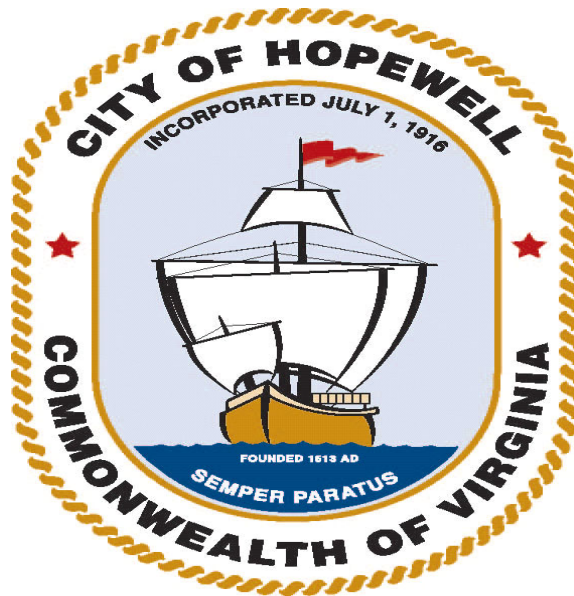


CITY OF HOPEWELL, VIRGINIA



**Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2018**

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INTRODUCTORY SECTION

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City of Hopewell, Virginia
Comprehensive Annual Financial Report
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For The Year Ended June 30, 2018

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CITY OF HOPEWELL, VIRGINIA
CITY COUNCIL AND CITY OFFICIALS
JUNE 30, 2018

CITY COUNCIL

Jackie M. ShornnakMayor
Jasmine E. GoreVice Mayor
Christina J. Luman-BaileyCouncilor
Arlene HollowayCouncilor
Anthony ZevgolitsCouncilor
Janice DentonCouncilor
Brenda S. PelhamCouncilor

CONSTITUTIONAL OFFICERS

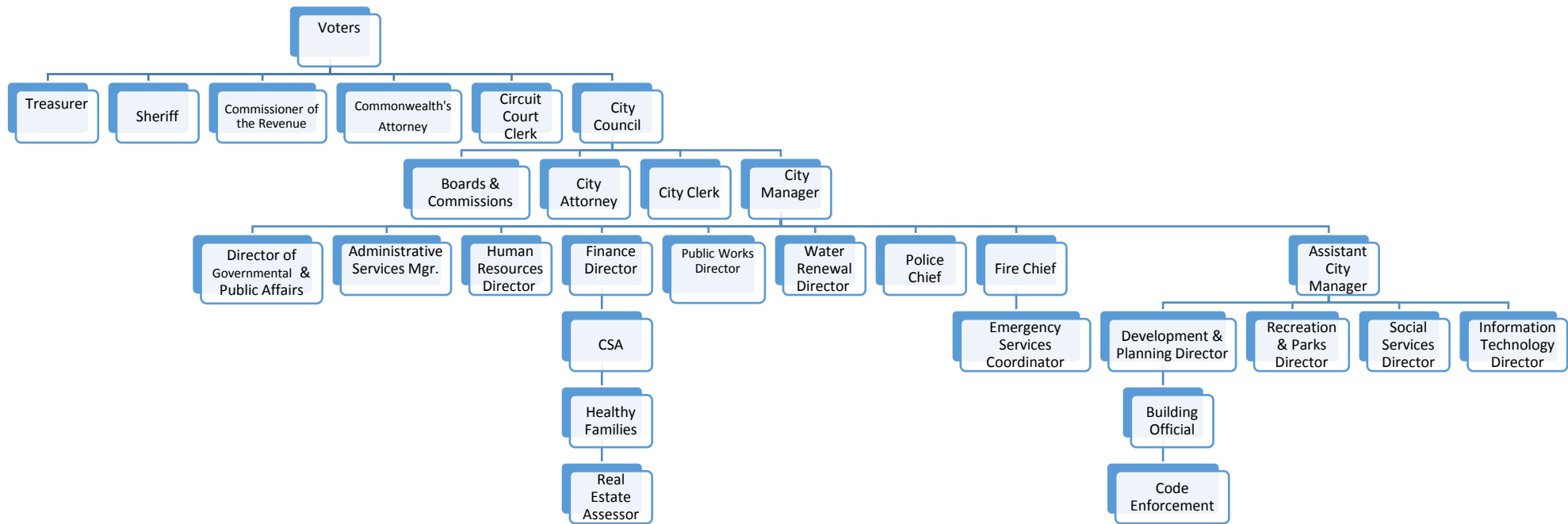
Joan E. GosierCity Treasurer
Debra A. ReasonCommissioner of Revenue
Richard K. NewmanCommonwealth's Attorney
Tamara J. WardClerk of the Circuit Court
Stephen M. Kephart, JrSheriff

CITY ADMINISTRATION

John M. Altman, Jr.City Manager
Charles E. DaneAssistant City Manager
Stefan M. CalosCity Attorney
Ronnieye ArringtonCity Clerk
Raymond W. SpicerSocial Services Director
Aaron A. ReidmillerRecreation Director
Edward O. WatsonPublic Works Director
Hebert BraggGovernmental Affairs Director
Renia ColesHuman Resources, Interim Director
Eugenia E. GrandstaffRegional Wastewater Treatment Facility & Sewer System Director
Michael TerryFinance Director
Donald R. Hunter, IIFire Department Chief
John F. KeohanePolice Department Chief

CITY SCHOOLS

Dr. Melody D. HackneySchools Superintendent





October 22, 2021

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

TO THE HONORABLE MEMBERS OF CITY COUNCIL:

The Annual Comprehensive Financial Report of the City of Hopewell, Virginia (the City) for the year ended June 30, 2018 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 will be included in a separate 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.

John M. Altman, Jr.
City Manager

maltman@hopewellva.gov
p: (804) 541-2243
f: (804) 541-2248

300 North Main Street
Suite 216
Hopewell, VA 23860

www.hopewellva.gov

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, 2018 will be provided under separate reporting.

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

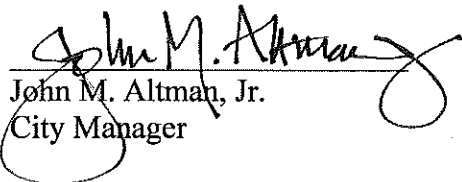
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's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

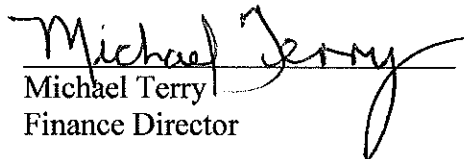
Independent Audit

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, 2018. 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 will be issued under separate reporting.

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.


John M. Altman, Jr.
City Manager


Michael Terry
Finance Director

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FINANCIAL SECTION

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Independent Auditors' Report

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

Report on the Financial Statements

We were engaged to audit 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinions on the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information

There were material differences between the Treasurer Office's June 2018 bank reconciliation and the City and Component Unit School Board's adjusted general ledger and financial statements. The City, Treasurer's Office and Component Unit School Board were unable to provide sufficient appropriate audit evidence for these material discrepancies in cash transactions. The City and staff of the Hopewell Regional Wastewater Treatment Facilities were not able to provide sufficient appropriate audit evidence for multiple elements of the HRWTF's financial statements including accounts receivable, refund credits payable and charges for services. The City was not able to provide sufficient appropriate audit evidence for multiple elements for the Sewer Service, Solid Waste and Storm Water funds including accounts receivable and charges for services.

Disclaimer of Opinions

Because of the significance of the matters described in the Basis for Disclaimer of Opinions paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions. Accordingly, we do not express opinions on 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.

Change in Accounting Principle

As described in Note 20 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 20 to the financial statements, in 2018, the City restated beginning balances to reflect the requirements of GASB Statement No. 75 and to correct errors in prior year balances. 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 management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 17-24, 104-105, and 106-116 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 combining and individual fund financial statements and schedules 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. Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Matters: (Continued)

Supplementary and Other Information: (Continued)

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 October 22, 2021, 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

October 22, 2021

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CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2018

The Honorable Members of City Council:

This section of the City of Hopewell, Virginia's comprehensive annual financial report presents our management discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2018

. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, notes to financial statements, and schedules, which follow this section.

FINANCIAL HIGHLIGHTS (amounts rounded)

- Total net position for the City's Primary Government was \$128 million. Of this total, \$115.7 million was related to business-type activities.
- In the City's business-type activities, total operating and non-operating revenues plus capital contributions were \$32.2 million and total operating and non-operating expenses were \$25.9 million.
- The total cost of all the City's programs and services was \$84.2 million.
- During this year, the net position of the City's governmental activities increased by \$2.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts — management's discussion and analysis this section, the basic financial statements, required supplementary, and an optional section that presents the combining statements for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present a different view of the City:

- The first two statements are the government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how the general government services like public safety, public works and social services were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the Regional Wastewater Treatment Plant, Sewer Services, and Solid Waste operations.
 - Fiduciary fund statements provide information about the financial relationships — like the City's Special Welfare Fund — in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2018

Figure A-1 Major Features of City of Hopewell Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: solid waste, sewer services	Instances in which the City is trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Assets and Liabilities • Statement of Changes in Fiduciary Assets and Liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or sooner thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow of information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2018

The two government-wide statements report the City's net position and how they changed. Net position — the difference between the City's assets and liabilities — is one way to measure the City's financial health or position.

- Over time, changes in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base or the condition of the City's streets or roads.

The government-wide financial statements of the City are divided into three categories:

- **Governmental Activities** — Most of the City's basic services are included here, such as the police, fire, public works, parks, and social services departments, and general administration. Property taxes and state and federal grants finance the biggest share of these activities.
- **Business-Type Activities** — The City charges fees to customers to help it cover the costs of certain services it provides. The City's Regional Wastewater Treatment Facilities Plant, Sewer Services, Solid Waste, and Storm Water activities are included here. The Beacon Theatre is also included as a blended component unit in the Business-type activities section of the government-wide financial statements.
- **Component Units** — The City includes two other entities in its report — The Hopewell City School Board and the Children's Services Act Board. Although legally separate, these "component units" are important because the City is financially accountable for them and there is a financial benefit/burden relationship with the City.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds — not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and others by legal requirements.
- The City Council may establish other funds to control and manage monies for particular purposes or to show that it is properly using certain taxes or grants.

The City has three kinds of funds:

- **Governmental Funds** — Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds' statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** — Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both short-term and long-term financial information. In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- **Fiduciary Funds** — The City is the trustee, or fiduciary, for the Special Welfare, Healthy Families', and Police Evidence Funds. It is responsible for these assets because of a trust arrangement; they can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in a separate

CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2018

Statement of Fiduciary Assets and Liabilities and Statement of Changes in Assets and Liabilities. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City reports under accounting principles generally accepted in the United States of America (GAAP), which requires the City to present comparative data for the Management's Discussion and Analysis (MD&A).

Table A-1 summarizes the City's Statement of Net Position:

Table A-1

City of Hopewell, Virginia
Summary of Net Position
As of June 30, 2018

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2017	2018	2017	2018	2017	2018	
Current and other assets	\$ 43,862,461	\$ 44,902,646	\$ 41,660,979	\$ 42,383,794	\$ 85,523,440	\$ 87,286,440	2.06%
Capital assets	67,974,515	67,581,027	114,997,793	118,067,875	182,972,308	185,648,902	1.46%
Total Assets	<u>111,836,975</u>	<u>112,483,673</u>	<u>156,658,772</u>	<u>160,451,669</u>	<u>268,495,747</u>	<u>272,935,342</u>	
Deferred outflows of Resources	<u>6,124,712</u>	<u>4,209,182</u>	<u>1,056,609</u>	<u>827,343</u>	<u>7,181,321</u>	<u>5,036,525</u>	(29.87%)
Current Liabilities	4,783,381	6,165,581	4,432,487	3,538,992	9,215,868	9,704,573	5.30%
Long-term liabilities	92,614,861	3,448,384	43,772,585	1,478,102	136,387,446	4,926,486	(96.39%)
Total Liabilities	<u>97,398,242</u>	<u>9,613,965</u>	<u>48,205,072</u>	<u>5,017,094</u>	<u>145,603,314</u>	<u>14,631,059</u>	
Deferred Inflows of Resources	<u>11,352,129</u>	<u>617,872</u>	<u>129,275</u>	<u>138,574</u>	<u>11,481,404</u>	<u>756,446</u>	(93.41%)
Net Position:							
Net investment in capital assets	21,178,316	23,610,873	81,600,637	89,723,070	102,778,953	113,333,943	10.27%
Restricted	-	9,113,184	2,608,185	2,513,591	2,608,185	11,626,775	345.78%
Unrestricted	(11,967,000)	(20,864,334)	25,172,212	23,499,817	13,205,212	2,635,483	(80.04%)
Total Net Position-restated	<u>\$ 9,211,316</u>	<u>\$ 11,859,723</u>	<u>\$ 109,381,034</u>	<u>\$ 115,736,478</u>	<u>\$ 118,592,350</u>	<u>\$ 127,596,201</u>	

Total net position increased approximately \$2.6 million during the current fiscal year for the City's governmental activities.

Total net position increased approximately \$6.4 million for the business-type activities. These resources are not used to make up any net asset deficit in governmental activities. The City uses its net position to finance the continuing operations of the solid waste and sewer operations.

Changes in Net Position

Table A-2 and the narrative that follows will consider the operations of the governmental and business-type activities, separately.

CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2018

Governmental Activities

Total governmental activities revenues increased by 3% over 2017. At the same time, expenses decreased by 9.6% over 2017. The combined revenues and expenses created an increase in net position of \$2.6 million.

Business-Type Activities

Charges for services of the City's business-type activities increased by 5% and expenses increased by 3%. The combined revenues and expenses created an increase in net position of \$6.4 million driven by increase in charges for services in 2018.

Table A-2

City of Hopewell, Virginia
Changes in Net Position
For the Year ended June 30, 2018

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2017	2018	2017	2018	2017	2018	
Revenues							
Program revenues:							
Charges for services	\$ 1,594,956	\$ 3,003,187	\$ 27,599,966	\$ 28,884,661	\$ 29,194,922	\$ 31,887,848	9.22%
Federal/state operating grants	11,667,396	14,529,512	6,889,200	1,430,995	18,556,596	15,960,507	(13.99%)
Federal/state/local capital grants	1,500,096	703,832	2,982,290	1,578,197	4,482,386	2,282,029	(49.09%)
General revenues:							
Property taxes	32,304,897	30,888,461	-	-	32,304,897	30,888,461	(4.38%)
Other taxes	8,933,838	8,796,667	-	-	8,933,838	8,796,667	(1.54%)
Other	3,313,309	3,064,627	214,215	340,246	3,527,524	3,404,873	(3.48%)
Total Revenues	59,314,493	60,986,286	37,685,671	32,234,099	97,000,164	93,220,385	(3.90%)
Expenses							
General government	6,866,234	6,215,800	-	-	6,866,234	6,215,800	(9.47%)
Judicial	3,402,723	2,770,517	-	-	3,402,723	2,770,517	(18.58%)
Public safety	17,912,246	15,882,264	-	-	17,912,246	15,882,264	(11.33%)
Public works	6,673,096	5,556,497	-	-	6,673,096	5,556,497	(16.73%)
Health & welfare	6,692,919	5,868,303	-	-	6,692,919	5,868,303	(12.32%)
Education	14,670,760	14,263,836	-	-	14,670,760	14,263,836	(2.77%)
Parks, recreation, and cultural	2,764,589	2,622,864	1,571,265	1,582,622	4,335,854	4,205,486	(3.01%)
Community development	2,957,752	2,675,118	-	-	2,957,752	2,675,118	(9.56%)
Interest on long-term debt	2,651,880	2,482,680	-	-	2,651,880	2,482,680	(6.38%)
Public utilities	-	-	23,648,044	24,296,033	23,648,044	24,296,033	2.74%
Total Expenses	64,592,200	58,337,880	25,219,309	25,878,655	89,811,509	84,216,535	(6.23%)
Change in Net Position	(5,277,707)	2,648,407	12,466,362	6,355,444	7,188,655	9,003,850	
Net position - beginning of year (restated)	14,489,023	9,211,316	96,914,672	109,381,034	111,403,695	118,592,350	
Net position - end of year	\$ 9,211,316	\$ 11,859,723	\$ 109,381,034	\$ 115,736,478	\$ 118,592,350	\$ 127,596,200	

Table A-3 presents the costs of the City's larger programs — public safety, public works, education, health & welfare — as well as each program's net cost (total costs less fees generated by the activities and

CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2018

intergovernmental aid). The net costs show the financial burden that was placed on the City's taxpayers by each of these functions.

- The total costs of these larger governmental activities represent 74% of the \$56.1 million total costs of services.
- However, the amount that our taxpayers paid for these activities was \$32.4 million. Some of the costs were paid by:
 - Those who directly benefited from the programs, or
 - Other governments and organizations subsidized certain programs with grants and contributions.
- The City paid for the "public benefit" portion with taxes and with other revenues such as interest and unrestricted state aid.

Table A-3

City of Hopewell, Virginia
Net Cost of Certain Governmental Activities
For the Year Ended June 30, 2018

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2017	2018		2017	2018	
Public Safety	\$ 17,912,246	\$ 15,882,264	(11.3%)	\$ 15,531,600	\$ 12,451,809	(19.8%)
Public Works	6,673,096	5,556,497	(16.7%)	1,174,639	931,737	(20.7%)
Health & Welfare	6,692,919	5,868,303	(12.3%)	2,656,051	1,920,693	(27.7%)
Education	14,670,760	14,263,836	(2.8%)	14,318,352	14,263,836	(0.4%)
Other	15,991,298	14,284,300	(10.7%)	13,144,822	10,533,273	(19.9%)
Total	\$ 61,940,319	\$ 55,855,199		\$ 46,825,464	\$ 40,101,348	

FINANCIAL ANALYSIS OF THE CITY - GOVERNMENTAL ACTIVITY (FUND) BALANCE SHEETS

General Fund

The City closed the fiscal year ended June 30, 2018 with the General Fund reporting total fund balance of \$14.2 million. The unassigned fund balance was \$7.2 million, which was approximately \$.4million more than last year.

Capital Projects Fund

The City closed the fiscal year ended June 30, 2018 with its Capital Projects Fund reporting the following fund balances; nonspendable of \$1.1 million, restricted of \$9.1 million, and unassigned of \$ (2) million totaling \$8.2 million which was approximately \$3.6 million less than last year.

Virginia Public Assistance Fund

The City closed the fiscal year ended June 30, 2018 with its Virginia Public Assistance Fund reporting an assigned fund balance of \$0. Revenues and operating transfers did not exceed expenditures for the year. The City only transferred to the fund amounts sufficient to cover expenditures not covered from other sources as its mandated local share.

CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the fiscal year ended June 30, 2018, the City Council amended the City budget. These budget amendments fall into three categories:

- Budget amendments and appropriations approved after the beginning of the fiscal year to reflect prior year encumbrances being re-authorized for the expenditure of funds in the "new" fiscal year.
- Changes made to the budget during the fiscal year to address budget priorities that reflect changes in the allocation of resources expected to be used during the remainder of the current fiscal year.
- Increases in budget amendments and appropriations for the expenditure of funds for items occurring in the current fiscal year that were not in the original budget adopted for the fiscal year.

Even with the increases in the total budget resulting from such budget amendments and appropriations, actual expenditures were approximately \$1.1 million under the final total budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - Governmental and Business-Type Activities

At the end of fiscal year 2018, the City had invested \$183 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, sewer plants, and sewer lines. (See Table A-4).

Table A-4

City of Hopewell, Virginia
Capital Assets Net of Depreciation
At June 30, 2018

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2017	2018	2017	2018	2017	2018	
Land	\$ 7,200,614	\$ 7,374,464	\$ 707,129	\$ 712,129	\$ 7,907,743	\$ 8,086,593	2.26%
Buildings, system improvements, and infrastructure	28,231,065	28,567,461	38,306,445	111,098,192	66,537,510	139,665,653	109.91%
Equipment	6,095,894	7,419,170	1,718,842	1,297,977	7,814,736	8,717,147	11.55%
Construction in progress	4,346,741	4,143,717	74,557,685	4,959,576	78,904,426	9,103,293	(88.46%)
Jointly-owned assets	22,100,200	20,076,215	-	-	22,100,200	20,076,215	(9.16%)
Total	\$ 67,974,514	\$ 67,581,027	\$ 115,290,101	\$ 118,067,874	\$ 183,264,615	\$ 185,648,901	

There were major capital asset additions in fiscal year 2018 for the business-type activities related to plant improvements. More detailed information on capital assets can be found in Note 5 to the financial statements.

The City's fiscal year 2018 capital projects budget was \$18 million, of which \$5 million was for debt service and \$13 million was for infrastructure improvements and various equipment/vehicle purchases.

CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2018

At year-end, the City had \$57 million in General Obligation bonds and Literary Loans outstanding, a decrease of 5% over last year, as shown in Table A-5. More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

Table A-5

City of Hopewell, Virginia
Schedule of Outstanding Debt
At June 30, 2018

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2017	2018	2017	2018	2017	2018	
General obligation bonds	\$ 55,321,601	\$ 52,690,350	\$ -	\$ -	\$ 55,321,601	\$ 52,690,350	(4.76%)
Literary loans	1,599,200	1,125,000	-	-	1,599,200	1,125,000	(29.65%)
Revenue bonds	-	-	35,725,000	34,285,000	35,725,000	34,285,000	(4.03%)
Total	\$ 56,920,801	\$ 53,815,350	\$ 35,725,000	\$ 34,285,000	\$ 92,645,801	\$ 88,100,350	

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have any questions about this financial report or if you need additional financial information, please contact the Finance Department either by mail at City of Hopewell, Virginia, 300 North Main Street, Hopewell, VA 23860 or by telephone at (804) 541-2306.

BASIC FINANCIAL STATEMENTS

City of Hopewell, Virginia
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-type Activities	Total	School Board	Children's Services Act Board
Assets					
Cash and investments	6,797,787	\$ 26,409,065	\$ 33,206,852	\$ 5,424,207	\$ 167,950
Taxes receivable	15,105,488	-	15,105,488	-	-
Accounts receivable	1,074,386	5,961,774	7,036,160	64,688	-
Notes receivable	126,356	61,188	187,544	-	53
Interest receivable	291	636	927	-	-
Due from School Board	8,862,929	-	8,862,929	-	-
Due from Primary Government	-	-	-	-	651,894
Due from other governmental units	1,623,782	1,018,886	2,642,668	5,485,957	1,024,083
Internal balances	991,835	(991,835)	-	-	-
Inventories	71,052	1,449,144	1,520,196	68,767	-
Prepaid expenses	3,129	-	3,129	-	-
Restricted assets:					
Cash and investments (in custody of others)	9,113,184	5,738,142	14,851,326	-	-
Note receivable, net of current portion	1,132,427	2,736,794	3,869,221	-	-
Capital assets, net of accumulated depreciation:					
Land	7,374,464	712,129	8,086,593	474,629	-
Construction in progress	4,143,717	4,959,576	9,103,293	-	-
Buildings, system improvements, and Infrastructure	76,299,788	95,273,895	171,573,683	39,184,155	-
Machinery and equipment	17,934,343	56,303,790	74,238,133	9,286,298	-
Sewer main improvements	-	39,215,499	39,215,499	-	-
Accumulated depreciation	(38,171,285)	(78,397,014)	(116,568,299)	(20,363,837)	-
Total assets	112,483,673	160,451,669	272,935,342	39,624,864	1,843,980
Deferred outflows of resources					
Deferred outflows related to debt	1,732,279	25,214	1,757,493	-	-
Deferred outflows related to pensions	2,354,303	774,633	3,128,936	5,278,073	-
Deferred outflows related to OPEB	122,600	27,496	150,096	213,460	-
Total deferred inflows of resources	4,209,182	827,343	5,036,525	5,491,533	-
Liabilities					
Accounts payable	1,571,176	1,497,724	3,068,900	693,096	386,675
Accrued liabilities	120,403	476,859	597,262	4,227,595	84
Refund credits payable	-	730,847	730,847	-	-
Accrued interest payable	697,607	593,887	1,291,494	-	-
Due to Primary Government	-	-	-	5,854,056	-
Due to School Board	3,008,873	-	3,008,873	-	-
Due to other governmental units	767,522	-	767,522	-	1,457,221
Unearned revenues	-	239,675	239,675	441,862	-
Long-term liabilities:					
Due within one year	3,448,384	1,478,102	4,926,486	427,167	-
Due in more than one year	80,188,354	39,658,646	119,846,999	46,996,138	-
Total liabilities	89,802,318	44,675,740	134,478,058	58,639,914	1,843,980
Deferred inflows of resources					
Deferred tax revenues	11,636,013	-	11,636,013	-	-
Deferred inflows related to pensions	2,776,929	728,220	3,505,149	5,489,666	-
Deferred inflows related to OPEB	617,872	138,574	756,446	361,442	-
Total deferred inflows of resources	15,030,814	866,794	15,897,608	5,851,108	-
Net position					
Net investment in capital assets	23,610,873	89,723,070	113,333,943	28,581,245	-
Restricted	9,113,184	2,513,591	11,626,775	1,782,810	-
Unrestricted	(20,864,334)	23,499,817	2,635,483	(49,738,680)	-
Total net position	\$ 11,859,723	\$ 115,736,478	\$ 127,596,201	\$ (19,374,625)	\$ -

City of Hopewell, Virginia
Statement of Activities
For the Year Ended June 30, 2018

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	School Board	Comprehensive Services Act Board
Primary Government:									
Governmental activities:									
General government administration	\$ 6,215,800	\$ 398,025	\$ 3,075,809	\$ -	\$ (2,741,966)	\$ -	\$ (2,741,966)	\$ -	\$ -
Judicial administration	2,770,517	1,656,664	656,850	-	(457,003)	-	(457,003)	-	-
Public safety	15,882,264	791,219	2,639,236	-	(12,451,809)	-	(12,451,809)	-	-
Public works	5,556,497	-	4,007,966	616,794	(931,737)	-	(931,737)	-	-
Health and welfare	5,868,303	-	3,947,610	-	(1,920,693)	-	(1,920,693)	-	-
Education	14,263,836	-	-	-	(14,263,836)	-	(14,263,836)	-	-
Parks, recreation, and cultural	2,622,864	157,279	46,915	-	(2,418,670)	-	(2,418,670)	-	-
Community development	2,675,118	-	155,126	87,038	(2,432,954)	-	(2,432,954)	-	-
Interest on long-term debt	2,482,680	-	-	-	(2,482,680)	-	(2,482,680)	-	-
Total governmental activities	58,337,879	3,003,187	14,529,512	703,832	(40,101,348)	-	(40,101,348)	-	-
Business-type activities:									
Hopewell Regional Wastewater Facilities Fund	13,815,793	14,319,504	1,082,191	-	-	1,585,902	1,585,902	-	-
Sewer Service Fund	7,953,063	10,383,319	-	-	-	2,430,256	2,430,256	-	-
Solid Waste Fund	1,892,748	2,146,713	-	-	-	253,965	253,965	-	-
Storm Water Fund	634,429	756,190	-	1,578,197	-	1,699,958	1,699,958	-	-
Beacon Theatre Fund	1,582,622	1,278,935	348,804	-	-	45,117	45,117	-	-
Total Business-type activities	25,878,655	28,884,661	1,430,995	1,578,197	-	6,015,198	6,015,198	-	-
Total Primary Government	\$ 84,216,534	\$ 31,887,848	\$ 15,960,507	\$ 2,282,029	(40,101,348)	6,015,198	(34,086,150)	-	-
Component units:									
School Board	\$ 48,382,517	\$ 205,034	\$ 37,455,006	\$ -	-	-	-	(10,722,477)	-
Children's Services Act Board	3,174,334	-	3,148,006	-	-	-	-	-	(26,328)
Total component units	\$ 51,556,851	\$ 205,034	\$ 40,603,012	\$ -	-	-	-	(10,722,477)	(26,328)
General revenues:									
General property taxes					30,888,461	-	30,888,461	-	-
Local sales tax					2,032,584	-	2,032,584	-	-
Business license tax					1,796,068	-	1,796,068	-	-
Restaurant food taxes					3,274,938	-	3,274,938	-	-
Other local taxes					1,693,077	-	1,693,077	-	-
Unrestricted from use of money and property					287,697	340,246	627,943	-	-
Miscellaneous					2,776,930	-	2,776,930	107,114	26,328
City contributions					-	-	-	12,182,187	-
Total general revenues					42,749,755	340,246	43,090,001	12,289,301	26,328
Change in net position					2,648,407	6,355,444	9,003,851	1,566,824	-
Net position - beginning, as restated (Note 20)					9,211,316	109,381,034	118,592,350	(20,941,449)	-
Net position - ending					\$ 11,859,723	\$ 115,736,478	\$ 127,596,201	\$ (19,374,625)	\$ -

City of Hopewell, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 2,532,706	\$ 106,846	3,930,264	\$ 227,971	\$ 6,797,787
Receivables (net of allowance for uncollectibles):					
Taxes receivable	15,105,488	-	-	-	15,105,488
Accounts receivable	796,702	-	252,941	24,743	1,074,386
Interest receivable	286	3	2	-	291
Due from other funds	4,561,541	-	-	-	4,561,541
Due from School Board	8,862,929	-	-	-	8,862,929
Note receivable-School Board	-	-	1,258,783	-	1,258,783
Due from other governments	863,257	333,108	427,417	-	1,623,782
Inventories	71,052	-	-	-	71,052
Prepaid items	3,129	-	-	-	3,129
Restricted assets:					
Cash and investments	-	-	9,113,184	-	9,113,184
Total assets	\$ 32,797,090	\$ 439,957	\$ 14,982,591	\$ 252,714	\$ 48,472,352
Liabilities					
Accounts payable	\$ 877,495	\$ -	\$ 580,877	\$ 112,804	\$ 1,571,176
Accrued liabilities	27,076	62,166	-	31,160	120,402
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	1,566,729	439,957	6,749,085	281,908	9,037,679
Deferred inflows of resources					
Deferred tax revenues	11,636,013	-	-	-	11,636,013
Unavailable tax revenues	5,389,447	-	-	-	5,389,447
Total deferred inflows of resources	17,025,460	-	-	-	17,025,460
Fund balances:					
Nonspendable:					
Prepaid items	3,129	-	-	-	3,129
Inventories	71,052	-	-	-	71,052
Due from School Board	-	-	1,132,247	-	1,132,247
Restricted for capital projects	-	-	9,113,184	-	9,113,184
Assigned:					
Fire department equipment	160,000	-	-	-	160,000
Next year budget	-	-	-	-	-
Rainy day emergency	5,230,302	-	-	-	5,230,302
Perpetual care	1,037,346	-	-	-	1,037,346
Self-insurance	500,000	-	-	-	500,000
Anti-Litter	-	-	-	35,423	35,423
Unassigned	7,203,072	-	(2,011,925)	(64,617)	5,126,530
Total fund balances	14,204,901	-	8,233,506	(29,194)	22,409,213
Total liabilities, deferred inflows of resources, and fund balances	\$ 32,797,090	\$ 439,957	\$ 14,982,591	\$ 252,714	\$ 48,472,352

City of Hopewell, Virginia
Reconciliation of the Balance Sheet of the Governmental Funds to the
Statement of Net Position
June 30, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 22,409,213
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		67,581,027
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned in the funds.		
Uncollected taxes receivable		5,389,447
Deferred items:		
Deferred outflow related to debt	1,732,279	
Deferred outflow related to pension	2,354,303	
Deferred inflow related to pensions	(2,776,929)	
Deferred outflow related to OPEB	122,600	
Deferred inflows related to OPEB	(617,872)	814,381
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	(53,815,350)	
Capital leases	(1,000,537)	
Landfill closure liability	(605,734)	
Net pension liability	(14,549,196)	
Net OPEB liability	(12,633,044)	
Compensated absences	(1,032,877)	
Accrued interest payable	(697,607)	(84,334,345)
Net position of governmental activities		<u>\$ 11,859,723</u>

City of Hopewell, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 29,786,192	\$ -	\$ -	\$ -	\$ 29,786,192
Other local taxes	5,291,319	-	3,274,938	-	8,566,257
Permits, privilege fees, and regulatory licenses	230,410	-	-	-	230,410
Fines and forfeitures	1,604,078	-	-	-	1,604,078
Revenues from use of money and property	75,808	-	186,969	24,920	287,697
Charges for services	859,333	-	-	161,629	1,020,962
Miscellaneous	1,870,331	3,204	828,346	75,048	2,776,929
Recovered costs	382,500	-	-	-	382,500
Intergovernmental:					
Commonwealth	10,150,466	1,238,582	27,417	42,565	11,459,030
Federal	445,537	2,579,923	589,377	155,126	3,769,963
Total revenues	<u>50,695,974</u>	<u>3,821,709</u>	<u>4,907,047</u>	<u>459,288</u>	<u>59,884,018</u>
EXPENDITURES					
Current:					
General government administration	5,763,177	-	-	-	5,763,177
Judicial administration	2,546,239	-	-	-	2,546,239
Public safety	15,109,267	-	-	-	15,109,267
Public works	4,593,785	-	-	4,887	4,598,672
Health and welfare	1,374,960	4,520,255	-	-	5,895,215
Education	12,182,187	-	-	-	12,182,187
Parks, recreation, and cultural	788,801	-	-	1,768,604	2,557,405
Community development	765,789	-	-	155,126	920,915
Nondepartmental	1,772,438	-	-	-	1,772,438
Capital projects	-	-	4,831,176	-	4,831,176
Debt service:					
Principal retirement	-	-	3,246,705	-	3,246,705
Interest and other fiscal charges	-	-	2,208,011	-	2,208,011
Total expenditures	<u>44,896,643</u>	<u>4,520,255</u>	<u>10,285,892</u>	<u>1,928,617</u>	<u>61,631,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,799,331</u>	<u>(698,546)</u>	<u>(5,378,845)</u>	<u>(1,469,329)</u>	<u>(1,747,389)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	698,546	3,260,705	1,328,400	5,287,651
Operating transfers out	(5,287,651)	-	-	-	(5,287,651)
Total other financing sources (uses), net	<u>(5,287,651)</u>	<u>698,546</u>	<u>3,260,705</u>	<u>1,328,400</u>	<u>-</u>
Net change in fund balances	511,680	-	(2,118,140)	(140,929)	(1,747,389)
Fund balance - beginning, as restated (Note 20)	13,693,221	-	10,351,646	111,735	24,156,602
Fund balance - ending	<u>\$ 14,204,901</u>	<u>\$ -</u>	<u>\$ 8,233,506</u>	<u>\$ (29,194)</u>	<u>\$ 22,409,213</u>

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, 2018

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

Net change in fund balances per Exhibit 5 - total governmental funds \$ (1,747,389)

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	\$ 4,621,706	
Jointly-owned assets adjustment	(1,711,251)	
Depreciation expense	<u>(3,303,942)</u>	(393,487)

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

Property taxes	1,102,269
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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.

Amortization of bond premium	31,928	
Principal payments on debt	3,246,705	
Amortization of deferred amount of refunding	<u>(309,907)</u>	2,968,726

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	3,309	
Decrease in net OPEB liability	60,018	
Decrease in net pension liability	5,760,684	
Decrease in pension related deferred outflows	(1,728,223)	
Increase in pension related deferred inflows	(2,762,111)	
Increase in OPEB related deferred outflows	122,600	
Increase in OPEB related deferred inflows	(617,870)	
Increase in compensated absences	<u>(120,119)</u>	<u>718,288</u>

Change in Net Position of Governmental Activities	<u>\$ 2,648,407</u>
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City of Hopewell, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities - Enterprise Funds					
	Hopewell Regional Wastewater Treatment Facilities Fund	Sewer Service Fund	Solid Waste Fund	Storm Water Fund	Beacon Theatre Fund	Total
Assets						
Current assets:						
Cash and investments	\$ 7,317,766	\$ 17,237,162	\$ 1,692,765	\$ -	\$ 161,372	\$ 26,409,065
Accounts receivable, net of allowance for uncollectibles	2,875,040	2,284,887	330,729	231,443	239,675	5,961,774
Due from Commonwealth of Virginia	-	-	-	1,018,886	-	1,018,886
Notes receivable	-	61,188	-	-	-	61,188
Interest receivable	-	500	105	31	-	636
Inventories	1,449,144	-	-	-	-	1,449,144
Total current assets	11,641,950	19,583,737	2,023,599	1,250,360	401,047	34,900,693
Noncurrent assets:						
Restricted assets:						
Cash and investments	1,577,892	3,573,556	586,694	-	-	5,738,142
Total restricted assets	1,577,892	3,573,556	586,694	-	-	5,738,142
Note receivable, net of current portion	-	2,736,794	-	-	-	2,736,794
Capital assets:						
Land	216,026	97,920	-	113,710	284,473	712,129
Utility plant in service and buildings	89,561,990	501,878	-	-	5,210,027	95,273,895
Sewer main improvements	-	39,060,636	-	154,863	-	39,215,499
Machinery and equipment	54,478,491	1,063,741	51,075	223,404	487,079	56,303,790
Construction in progress	1,209,464	723,030	-	3,027,082	-	4,959,576
Accumulated depreciation	(64,801,500)	(12,596,457)	(43,798)	(56,190)	(899,069)	(78,397,014)
Total capital assets	80,664,471	28,850,748	7,277	3,462,869	5,082,510	118,067,875
Total noncurrent assets	82,242,363	35,161,098	593,971	3,462,869	5,082,510	126,542,811
Total assets	93,884,313	54,744,835	2,617,570	4,713,229	5,483,557	161,443,504
Deferred outflow of resources						
Loss on refunding	25,214	-	-	-	-	25,214
Pensions	429,282	43,481	59,526	242,344	-	774,633
OPEB	22,337	2,271	560	2,328	-	27,496
Total deferred outflow of resources	476,833	45,752	60,086	244,672	-	827,343
Liabilities						
Current liabilities:						
Accounts payable	897,418	222,853	16,402	361,051	-	1,497,724
Accrued liabilities	245,112	3,788	2,625	214,485	10,849	476,859
Refund credits payable	730,847	-	-	-	-	730,847
Accrued interest payable	87,373	506,514	-	-	-	593,887
Due to other funds	27,500	-	-	964,335	-	991,835
Compensated absences	15,174	1,818	162	948	-	18,102
Unearned revenues	-	-	-	-	239,675	239,675
Bonds payable	930,000	530,000	-	-	-	1,460,000
Total current liabilities	2,933,424	1,264,973	19,189	1,540,819	250,524	6,008,929
Noncurrent liabilities:						
Bonds payable, net of current portion	10,075,785	23,323,454	-	-	-	33,399,239
Net pension liability	2,650,860	269,484	66,572	276,283	-	3,263,199
Net OPEB liability	2,301,714	233,990	57,689	239,894	-	2,833,287
Compensated absences, net of current portion	136,571	16,363	1,461	8,526	-	162,921
Total noncurrent liabilities	15,164,930	23,843,291	125,722	524,703	-	39,658,646
Total liabilities	18,098,354	25,108,264	144,911	2,065,522	250,524	45,667,575
Deferred inflow of resources						
Pensions	537,941	124,411	18,675	47,193	-	728,220
OPEB	112,575	11,444	2,822	11,733	-	138,574
Total deferred inflows of resources	650,516	135,855	21,497	58,926	-	866,794
Net position						
Net investment in capital assets	70,611,750	10,558,666	7,277	3,462,868	5,082,509	89,723,070
Restricted	927,851	1,585,740	-	-	-	2,513,591
Unrestricted	4,072,675	17,402,062	2,503,971	(629,415)	150,524	23,499,817
Total net position	\$ 75,612,276	\$ 29,546,468	\$ 2,511,248	\$ 2,833,453	\$ 5,233,033	\$ 115,736,478

City of Hopewell, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds					
	Hopewell Regional Wastewater Treatment Facilities Fund	Sewer Service Fund	Solid Waste Fund	Storm Water Fund	Beacon Theatre Fund	Total
OPERATING REVENUES						
Charges for services:						
Wastewater treatment revenues	\$ 14,319,504	\$ -	\$ -	\$ -	\$ -	\$ 14,319,504
Sewer revenues	-	10,383,319	-	-	-	10,383,319
Refuse collection	-	-	2,146,713	-	-	2,146,713
Fees	-	-	-	756,190	-	756,190
Rental income	-	-	-	-	1,278,935	1,278,935
Total operating revenues	14,319,504	10,383,319	2,146,713	756,190	1,278,935	28,884,661
OPERATING EXPENSES						
Personnel services	3,112,935	331,515	79,554	291,510	212,652	4,028,166
Fringe benefits	969,012	105,528	62,129	107,283	-	1,243,952
Contractual services	1,765,898	2,734,488	1,222,181	136,301	892,592	6,751,460
Administrative services	7,179	-	-	75	2,306	9,560
Materials and supplies	124,166	109,001	2,779	894	26,596	263,436
Repairs and maintenance	69,680	538,426	719	13,064	9,956	631,845
Utilities	2,658,179	119,141	16,925	-	28,745	2,822,990
Fuel	6,678	11,330	1,268	4,498	-	23,774
Insurance	-	-	-	-	13,632	13,632
Chemicals	2,556,206	962	-	-	-	2,557,168
Miscellaneous	181,214	1,314,728	503,224	39,680	196,477	2,235,323
Depreciation	2,006,418	1,601,303	3,969	41,124	199,666	3,852,480
Total operating expenses	13,457,565	6,866,422	1,892,748	634,429	1,582,622	24,433,786
Operating income (loss)	861,939	3,516,897	253,965	121,761	(303,687)	4,450,875
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	40,981	298,732	533	-	-	340,246
Governmental grants	1,082,191	-	-	1,578,197	-	2,660,388
Interest expense	(358,228)	(1,086,641)	-	-	-	(1,444,869)
Total nonoperating revenues (expenses), net	764,944	(787,909)	533	1,578,197	-	1,555,765
Income (loss) before contributions	1,626,883	2,728,988	254,498	1,699,958	(303,687)	6,006,640
Capital contributions	-	-	-	-	348,804	348,804
Total contributions	-	-	-	-	348,804	348,804
Change in net position	1,626,883	2,728,988	254,498	1,699,958	45,117	6,355,444
Total net position - beginning, as restated (Note 20)	73,985,393	26,817,480	2,256,750	1,133,495	5,187,916	109,381,034
Total net position - ending	\$ 75,612,276	\$ 29,546,468	\$ 2,511,248	\$ 2,833,453	\$ 5,233,033	\$ 115,736,478

City of Hopewell, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

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	\$ 12,367,579	\$ 8,831,044	\$ 2,174,632	\$ 782,846	\$ 1,278,935	\$ 25,435,036
Payments to suppliers	(7,178,205)	(4,872,754)	(1,830,982)	(53,290)	(1,445,689)	(15,380,920)
Payments to employees	(4,932,369)	(469,739)	(117,284)	(194,812)	-	(5,714,204)
Net cash provided by (used in) operating activities	257,005	3,488,551	226,366	534,744	(166,754)	4,339,912
Cash flows from non capital and related financing activities						
Cash received from other funds	-	-	-	964,335	292,804	1,257,139
Net cash provided by non capital and related financing activities	-	-	-	964,335	292,804	1,257,139
Cash flows from capital and related financing activities						
Purchase of capital assets	(3,981,777)	(1,450,010)	-	(2,601,884)	(27,865)	(8,061,536)
Capital contributions and grants	1,479,262	-	-	559,311	-	2,038,573
Principal payments on bonds and refunding	(923,336)	(543,439)	-	-	-	(1,466,775)
Interest payments	(358,866)	(1,092,788)	-	-	-	(1,451,654)
Net cash provided by (used in) capital and related financing activities	(3,784,717)	(3,086,237)	-	(2,042,573)	(27,865)	(8,941,392)
Cash flows from investing activities						
Interest and dividends received	40,980	298,751	539	9	-	340,279
Purchase of investments	-	(2,575,353)	-	-	-	(2,575,353)
Sale of investments	-	2,495,961	-	-	-	2,495,961
Principal payments received on notes receivable	-	58,210	-	-	-	58,210
Net cash provided by investing activities	40,980	277,569	539	9	-	319,097
Net increase (decrease) in cash and investments	(3,486,732)	679,883	226,905	(543,485)	98,185	(3,025,244)
Cash and investments - beginning, including restricted	12,382,390	14,894,658	2,052,554	543,485	63,187	29,936,274
Cash and investments - ending, including restricted	\$ 8,895,658	\$ 15,574,541	\$ 2,279,459	\$ -	161,372	\$ 26,911,030
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 861,939	\$ 3,516,897	\$ 253,965	\$ 121,761	\$ (303,687)	\$ 4,450,875
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	2,006,418	1,601,303	3,969	41,124	199,666	3,852,480
Pension and OPEB related	(175,750)	(32,964)	23,805	(3,355)	-	(188,264)
(Increase) decrease in accounts receivable	(1,951,925)	(1,552,275)	27,919	26,654	(239,675)	(3,689,302)
(Increase) decrease in inventories	(171,505)	-	-	-	-	(171,505)
Increase (decrease) in accounts payable and accrued liabilities	(312,172)	(44,410)	(83,292)	348,560	(62,733)	(154,047)
Increase (decrease) in unearned revenues	-	-	-	-	239,675	239,675
Total adjustments	(604,934)	(28,346)	(27,599)	412,983	136,933	(110,963)
Net cash provided by (used in) operating activities	\$ 257,005	\$ 3,488,551	\$ 226,366	\$ 534,744	\$ (166,754)	\$ 4,339,912

City of Hopewell, Virginia
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2018

	Agency Funds
Assets	
Cash and cash equivalents	\$ 91,840
Total assets	<u>\$ 91,840</u>
Liabilities	
Amounts held for others	\$ 91,840
Total liabilities	<u>\$ 91,840</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

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 the accounting principles generally accepted in the United States of America (“GAAP”), as specified by the Governmental Accounting Standards Board (“GASB”) and with 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.

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.

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).

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

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.

A. 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.

B. 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.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

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.

C. 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 \$2,141,840 during fiscal year 2018.

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.

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 \$600,261 the Library for fiscal year 2018. 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 \$120,551 and \$39,760, respectively, during fiscal year 2018 to these entities. The City also participates with six other localities in the Crater Youth Care Commission and provided funding in the amount of \$410,759 during fiscal year 2018.

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, 2018 are Economic Development Authority and Hopewell Redevelopment and Housing Authority.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

D. 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.

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.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

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 all and report 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.

Special Revenue Funds - Special Revenue Funds account for 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 nonmajor 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 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 non-operating 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 non-operating 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.

E. 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.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

F. 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 costs. Investments with a maturity 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 end.

G. 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 \$35,868 at June 30, 2018 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

The City bills and collects its own property taxes. The City follows the practice of reassessing real estate biennially and personal property annually.

H. 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.

CITY OF HOPEWELL, VIRGINIA
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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

I. 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 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 unearned 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

J. 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.

K. 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.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
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L. 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.

M. 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.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

N. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred in flows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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.

O. 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.

P. 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 no spendable fund balance which indicates that it does not constitute “currently expendable financial resources”.

Q. 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 \$9,113,184 and \$5,738,142, respectively, that represents bond proceeds that have not been spent at June 30, 2018 in accordance with the terms of the bond.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

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.

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, 2018 were rated by Standard and Poor's and the ratings are presented below using the Standard and 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.

D. External Investment Pools

The value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As the LGIP and State Non-Arbitrage Pool (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 limitations or restrictions imposed on the participants.

E. 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	Total	Fair Quality Ratings			
		AAA	AAAm	AA+	AA-
LGIP	\$ 15,588,645	\$ -	\$ 15,588,645	\$ -	\$ -
SNAP	14,263,967	-	14,263,967	-	-
U.S. Government Issues	4,515,662	-	-	4,515,662	-
Corporate Bonds	720,517	-	-	473,052	247,465
Total	\$ 35,088,791	\$ -	\$ 29,852,612	\$ 4,988,714	\$ 247,465

Investment Type	Investment Maturities (in Years)		
	Less than 1		
	Fair Value	Year	1-5 Years
LGIP	\$ 15,588,645	\$ 15,588,645	\$ -
SNAP	14,263,967	14,263,967	-
U.S. Government Issues	4,515,662	2,806,152	1,709,510
Corporate Bonds	720,517	473,052	247,465
Total	\$ 35,088,791	\$ 33,131,816	\$ 1,956,975

F. 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

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

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, 2018:

- 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).

Note 3—Due from Other Governments and Component Units

At June 30, 2018, 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	\$ 352,756	\$ -	\$ -	\$ -	\$ 352,756	\$ 508,716	\$ -
Communications tax	123,833	-	-	-	123,833	-	-
VPA funds	-	333,108	-	-	333,108	-	-
Consumption and utility tax	46,690	-	-	-	46,690	-	-
Constitutional officer reimbursement	108,886	-	-	-	108,886	-	-
Court fines and fees	178,361	-	-	-	178,361	-	-
Railroad rolling stock tax	24,108	-	-	-	24,108	-	-
Other State grants	28,623	-	27,417	1,018,886	1,074,926	-	-
Children's Services Act Board	-	-	-	-	-	-	1,024,083
Federal Government							
School fund grants	-	-	-	-	-	4,977,241	-
Economic Development Authority	-	-	400,000	-	400,000	-	-
Total due from other governments	\$ 863,257	\$ 333,108	\$ 427,417	\$ 1,018,886	\$ 2,642,668	\$ 5,485,957	\$ 1,024,083

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, 2018 the due to and from funds are as follows:

Receivable Fund	Payable Fund	Amount
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
		\$ 4,561,541

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.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

Note 5—Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
Government Activities:				
Capital assets not subject to depreciation:				
Land	\$ 7,200,614	\$ 173,850	\$ -	\$ 7,374,464
Work in progress	4,346,741	2,523,557	(2,726,581)	4,143,717
Total capital assets not subject to depreciation	11,547,355	2,697,407	(2,726,581)	11,518,181
Capital assets subject to depreciation:				
Buildings, improvements, and infrastructure	48,410,734	1,901,294	-	50,312,028
Machinery and equipment	15,366,946	2,749,586	(182,189)	17,934,343
Jointly-owned assets	27,855,378	-	(1,867,618)	25,987,760
Total capital assets being depreciated	91,633,058	4,650,880	(2,049,807)	94,234,131
Less accumulated depreciation for:				
Buildings, improvements, and infrastructure	(20,179,669)	(1,564,898)	-	(21,744,567)
Machinery and equipment	(9,271,052)	(1,426,310)	182,189	(10,515,173)
Jointly-owned assets	(5,755,178)	(312,734)	156,367	(5,911,545)
Total accumulated depreciation	(35,205,899)	(3,303,942)	338,556	(38,171,285)
Total capital assets being depreciated, net	56,427,159	1,346,938	(1,711,251)	56,062,846
Capital assets, net	\$ 67,974,514	\$ 4,044,345	\$ (4,437,832)	\$ 67,581,027
Component Unit - School Board	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
Government Activities:				
Capital assets not subject to depreciation:				
Land	\$ 474,629	\$ -	\$ -	\$ 474,629
Total capital assets not subject to depreciation	474,629	-	-	474,629
Capital assets subject to depreciation:				
Buildings and improvements	63,995,327	1,176,588	-	65,171,915
Machinery and equipment	8,350,687	1,042,064	(106,453)	9,286,298
Jointly-owned assets	(27,855,378)	-	1,867,618	(25,987,760)
Total capital assets being depreciated	44,490,636	2,218,652	1,761,165	48,470,453
Less accumulated depreciation for:				
Buildings and improvements	(20,118,180)	(1,366,739)	-	(21,484,919)
Machinery and equipment	(4,346,589)	(543,890)	100,016	(4,790,463)
Jointly-owned assets	5,755,178	312,734	(156,367)	5,911,545
Total accumulated depreciation	(18,709,591)	(1,597,895)	(56,351)	(20,363,837)
Total capital assets being depreciated, net	25,781,045	620,757	1,704,814	28,106,616
Capital assets, net	\$ 26,255,674	\$ 620,757	\$ 1,704,814	\$ 28,581,245

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
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Depreciation expense was charged to functions and programs as follows:

General government administration	\$ 546,037
Judicial administration	296,462
Public safety	876,442
Public works	1,047,604
Health and welfare	125,475
Education	312,734
Parks, recreation, and cultural	99,188
Total governmental activities	<u>\$ 3,303,942</u>

Component Unit: School Board	<u>\$ 1,597,895</u>
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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, 2018, is School-financed assets in the amount of \$20,076,215 being reported by the Primary Government for financial reporting purposes.

Business-type Activities

A summary of changes in proprietary fund capital assets for the year ended June 30, 2018 follows:

HRWTF	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
Capital assets not subject to depreciation:				
Land	\$ 216,026	\$ -	\$ -	\$ 216,026
Construction in progress	73,910,973	2,640,249	(75,341,758)	1,209,464
Total capital assets not subject to depreciation	<u>74,126,999</u>	<u>2,640,249</u>	<u>(75,341,758)</u>	<u>1,425,490</u>
Capital assets subject to depreciation:				
Utility plant in service	14,173,072	75,388,918	-	89,561,990
Machinery and equipment	54,405,770	86,753	(14,032)	54,478,491
Total capital assets being depreciated	<u>68,578,842</u>	<u>75,475,671</u>	<u>(14,032)</u>	<u>144,040,481</u>
Less accumulated depreciation for:				
Utility plant in service	(9,375,979)	(1,433,215)	-	(10,809,194)
Machinery and equipment	(53,433,135)	(573,203)	14,032	(53,992,306)
Total accumulated depreciation	<u>(62,809,114)</u>	<u>(2,006,418)</u>	<u>14,032</u>	<u>(64,801,500)</u>
Total capital assets being depreciated, net	<u>5,769,728</u>	<u>73,469,253</u>	<u>-</u>	<u>79,238,981</u>
HRWTF Fund capital assets, net	<u>\$ 79,896,727</u>	<u>\$ 76,109,502</u>	<u>\$ (75,341,758)</u>	<u>\$ 80,664,471</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

Sewer Service Fund	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
Capital assets not subject to depreciation:				
Land	\$ 97,920	\$ -	\$ -	\$ 97,920
Constuction in progress	161,452	561,578	-	723,030
Total capital assets not subject to depreciation	259,372	561,578	-	820,950
Capital assets subject to depreciation:				
Utility plant in service	501,878	-	-	501,878
Machinery and equipment	1,183,372	-	(119,631)	1,063,741
Sewer main improvements	38,172,204	888,432	-	39,060,636
Total capital assets being depreciated	39,857,454	888,432	(119,631)	40,626,255
Less accumulated depreciation for:				
Utility plant in service	(499,303)	(2,575)	-	(501,878)
Machinery and equipment	(717,957)	(76,224)	119,631	(674,550)
Sewer main improvements	(9,897,525)	(1,522,504)	-	(11,420,029)
Total accumulated depreciation	(11,114,785)	(1,601,303)	119,631	(12,596,457)
Total capital assets being depreciated, net	28,742,669	(712,871)	-	28,029,798
Sewer Service Fund, net	\$ 29,002,041	\$ (151,293)	\$ -	\$ 28,850,748

Solid Waste Fund	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
Capital assets subject to depreciation:				
Machinery and equipment	\$ 51,075	\$ -	\$ -	\$ 51,075
Less accumulated depreciation for:				
Machinery and equipment	(39,829)	(3,969)	-	(43,798)
Solid Waste Fund capital assets, net	\$ 11,246	\$ (3,969)	\$ -	\$ 7,277

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

Stormwater Fund	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018
Capital assets not subject to depreciation:				
Land	\$ 108,710	\$ 5,000	\$ -	\$ 113,710
Construction in progress	485,259	2,541,823	-	3,027,082
Total capital assets not subject to depreciation	593,969	2,546,823	-	3,140,792
Capital assets subject to depreciation:				
Machinery and equipment	97,936	125,468	-	223,404
Stormwater improvements	154,863	-	-	154,863
Total capital assets being depreciated	252,799	125,468	-	378,267
Less accumulated depreciation for:				
Machinery and equipment	(9,999)	(33,381)	-	(43,380)
Stormwater improvements	(5,067)	(7,743)	-	(12,810)
Total accumulated depreciation	(15,066)	(41,124)	-	(56,190)
Total capital assets being depreciated, net	237,733	84,344	-	322,077
Stormwater Fund capital assets, net	<u>\$ 831,702</u>	<u>\$ 2,631,167</u>	<u>\$ -</u>	<u>\$ 3,462,869</u>
Beacon Theatre Fund	July 1, 2017 Restated	Increase	Decrease	Balance June 30, 2018
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	403,255	83,824	-	487,079
Total capital assets being depreciated	5,613,282	83,824	-	5,697,106
Less accumulated depreciation for:				
Buildings	(513,702)	(133,590)	-	(647,292)
Machinery and equipment	(185,701)	(66,076)	-	(251,777)
Total accumulated depreciation	(699,403)	(199,666)	-	(899,069)
Total capital assets being depreciated, net	4,913,879	(115,842)	-	4,798,037
Beacon Theatre Fund capital assets, net	<u>\$ 5,198,352</u>	<u>\$ (115,842)</u>	<u>\$ -</u>	<u>\$ 5,082,510</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

Note 6—Interfund Transfers

Interfund transfer for the year ended June 30, 2018 consisted of the following:

Transfer Out	Transfer in	Purpose	Amount
General Fund	Virginia Public Assistance Fund	Local Share	\$ 698,546
General Fund	Recreation Fund	Budgetary Transfer	1,328,400
General Fund	Capital Projects Fund	Budgetary Transfer	3,260,705
Total			<u>\$ 5,287,651</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.

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CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

Note 7—Long-term Obligations

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

Primary Government:	July 1, 2017 Restated	Increases	Decreases	Balance June 30, 2018	Due Within One Year
Governmental Activities Obligations:					
Incurred by City:					
General obligation bonds	\$ 34,820,601	\$ -	\$ (1,081,466)	\$ 33,739,135	\$ 1,238,697
Issuance premiums, net	31,928	-	(31,928)	-	-
Capital Leases	1,141,791	-	(141,254)	1,000,537	144,311
Claims, judgments, and compensated absences payable	912,758	120,119	-	1,032,877	130,288
Landfill closure liability	605,734	-	-	605,734	-
Net OPEB liability	12,693,062	-	(60,018)	12,633,044	-
Net pension liability	20,309,882	-	(5,760,686)	14,549,196	-
Total incurred by City	70,515,756	120,119	(7,075,352)	63,560,523	1,513,296
Incurred for School Board:					
State Literary Loans payable	1,599,200	-	(474,200)	1,125,000	375,000
General obligation bonds payable	20,501,000	-	(1,549,785)	18,951,215	1,560,088
Total incurred for School Board	22,100,200	-	(2,023,985)	20,076,215	1,935,088
Total Governmental Activities Obligations	\$ 92,615,956	\$ 120,119	\$ (9,099,337)	\$ 83,636,738	\$ 3,448,384
Business-type Obligations:					
Revenue bonds payable	\$ 35,725,000	\$ -	\$ (1,440,000)	\$ 34,285,000	\$ 1,460,000
Issuance premium	601,013	-	(26,774)	574,239	-
Claims, judgments, and compensated absences payable	195,964	-	(14,941)	181,023	18,102
Net OPEB liability	2,846,723	-	(13,436)	2,833,287	-
Net pension liability	4,403,885	-	(1,140,686)	3,263,199	-
Total Business-type Activities Obligations	\$ 43,772,585	\$ -	\$ (2,635,837)	\$ 41,136,748	\$ 1,478,102

Component Unit School Board:

The following is a summary of long-term debt transactions of the Component Unit School Board for the year ended June 30, 2018:

	Balance July 1, 2017 Restated	Increases	Decreases	Balance at June 30, 2018	Due Within One Year
Claims, judgments and compensated absences payable	\$ 899,622	\$ 11,927	\$ -	\$ 911,549	\$ 300,811
Net OPEB liability	5,840,586	-	(202,821)	5,637,765	-
Net pension liability	44,109,214	-	(4,494,007)	39,615,207	-
Note payable to the City	1,379,682	-	(120,898)	1,258,784	126,356
	\$ 52,229,104	\$ 11,927	\$ (4,817,726)	\$ 47,423,305	\$ 427,167

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

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

Primary Government : (Continued)

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

Year Ending June 30	Incurred For City Obligations			
	General Obligation			
	Bonds Payable			
	Principal	Interest		
2019	\$ 1,238,697	\$ 1,094,938		
2020	1,546,003	1,040,894		
2021	1,497,011	983,084		
2022	1,799,476	921,504		
2023	1,867,022	853,688		
2024-2028	10,801,353	3,251,311		
2029-2033	9,702,981	1,583,842		
2034-2038	4,811,592	299,720		
2039	475,000	5,838		
	<u>\$ 33,739,135</u>	<u>\$ 10,034,819</u>		

Year Ending June 30	Incurred For School Obligations			
	State Literary		General Obligation	
	Fund Loans		Bonds Payable	
	Principal	Interest	Principal	Interest
2019	\$ 375,000	\$ 22,500	\$ 1,560,088	\$ 994,472
2020	375,000	15,000	1,675,869	970,723
2021	375,000	7,500	1,730,498	944,594
2022			1,895,792	914,751
2023			1,611,422	883,959
2024-2028	-	-	6,640,205	3,476,881
2029-2033	-	-	2,578,932	506,869
2034-2037	-	-	1,258,409	83,827
Total	<u>\$ 1,125,000</u>	<u>\$ 45,000</u>	<u>\$ 18,951,215</u>	<u>\$ 8,776,076</u>

Year Ending June 30	Enterprise Obligations	
	Revenue	
	Bonds Payable	
	Principal	Interest
2019	\$ 1,460,000	\$ 1,438,631
2020	1,500,000	1,403,302
2021	1,530,000	1,363,065
2022	1,580,000	1,318,686
2023	1,300,000	1,274,074
2024-2027	5,975,000	5,644,756
2028-2033	5,295,000	4,444,706
2034-2038	6,730,000	3,000,269
2039-2043	8,305,000	1,150,828
2044-2047	610,000	25,163
Total	<u>\$ 34,285,000</u>	<u>\$ 21,063,480</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

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.

Fiscal Year Ending June 30,	Governmental Activities
2019	\$ 162,414
2020	162,415
2021	162,414
2022	322,391
2023	250,217
Total minimum lease payments	1,059,851
less amounts representing interest	(59,314)
Present value of minimum lease payments	<u>\$ 1,000,537</u>

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CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

Primary Government : (Continued)

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%.	\$ 2,175,000
\$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%.	1,037,500
\$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%.	1,490,000
\$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%.	340,000
\$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%.	7,640,000
\$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%.	2,053,756
\$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%.	12,427,879
Total General Obligation Bonds	33,739,135
Capital Leases	1,000,537
Landfill closure liability (payable from the General Fund)	605,734
Compensated absences (payable from the General Fund)	1,032,877
Net OPEB liability (payable from the General Fund)	12,633,044
Net pension liability (payable from the General Fund)	14,549,196
Total Incurred for City	\$ 63,560,523

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

Primary Government : (Continued)

Details of long-term indebtedness are as follows: (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%.	\$ 1,125,000
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Total State Literary Fund Loans	1,125,000
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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%.	1,169,070
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\$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%.	395,855
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\$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%.	1,306,667
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\$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%.	5,040,000
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\$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%.	1,037,500
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\$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%.	3,700,002
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\$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
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\$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%.	3,602,121
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Total Virginia Public Authority School Subsidy and Other Bonds	18,951,215
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Total Incurred for School Board	\$ 20,076,215
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Total Governmental Activities Obligations	\$ 83,636,738
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CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

Primary Government : (Continued)

Details of long-term indebtedness are as follows: (Continued)

Enterprise 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%.	\$ 4,445,000
\$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%.	5,325,000
\$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%.	1,235,000
\$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%.	17,735,000
\$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%.	1,805,000
\$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%.	3,740,000
Total Revenue Bond Obligations	34,285,000
Issuance premium	574,238
Compensated absences (Payable from the Enterprise Funds)	181,023
Net OPEB liability (Payable from the Enterprise Funds)	2,833,287
Net pension liability (Payable from the Enterprise Funds)	3,263,199
Total Business-type Obligations	\$ 41,136,747

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, 2018, \$1,258,764 of the loan was still outstanding.

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.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

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

Deferred revenue/unavailable revenue 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. Under the accrual basis, assessments for future periods are deferred.

Tax Type	Government-wide Statements	Governmental Funds Statements	Total
General Fund			
Real Estate Tax	\$ 2,094,232	\$ 7,257,233	\$ 9,351,465
Personal Property	1,561,209	-	1,561,209
Personal Service Corporations	214	-	214
Machinery & Tools Tax	1,733,792	4,378,780	6,112,572
Total deferred revenue/unavailable revenue	<u>\$ 5,389,447</u>	<u>\$ 11,636,013</u>	<u>\$ 17,025,460</u>

Note 11—Commitments and Contingencies

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.

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.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

Note 12—Litigation

At June 30, 2018, 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 of Hopewell 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.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) <ul style="list-style-type: none"> In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> Political subdivision employees* School division employees Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contribution Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contribution Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contribution Component: (Cont.)</u> <ul style="list-style-type: none"> • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1. <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

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

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RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

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RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
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RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage (Cont.)	Disability Coverage (Cont.)	Disability Coverage (Cont.) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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Employees Covered by Benefit Terms

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

	<u>Primary Government</u>	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	310	66
Inactive members:		
Vested inactive members	44	9
Non-vested inactive members	90	35
Inactive members active elsewhere in VRS	173	18
Total inactive members	307	62
Active members	345	100
Total covered employees	962	228

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City of Hopewell's contractually required employer contribution rate for the year ended June 30, 2018 was 14.60% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City of Hopewell were \$2,685,888 and \$2,423,732 for the years ended June 30, 2018 and June 30, 2017, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2018 was 14.60% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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Notes to Financial Statements
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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 \$195,270 and \$178,358 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The City of Hopewell's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the City of Hopewell's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% 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.

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.

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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, 2016 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:

Largest 10 – 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 20%

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%

Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City of Hopewell's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, 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

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assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 – Hazardous Duty: 70% 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.

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.

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.

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, 2016 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:

Largest 10 – 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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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%

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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

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

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Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the City of Hopewell and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return 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, 2016	\$ 108,131,996	\$ 83,418,229	\$ 24,713,767
Changes for the year:			
Service cost	\$ 2,036,407	\$ -	\$ 2,036,407
Interest	7,364,860	-	7,364,860
Benefit changes	-	-	-
Differences between expected and actual experience	(2,984,084)	-	(2,984,084)
Assumption changes	(1,292)	-	(1,292)
Contributions - employer	-	2,465,223	(2,465,223)
Contributions - employee	-	872,284	(872,284)
Net investment income	-	10,047,935	(10,047,935)
Benefit payments, including refunds	(5,839,426)	(5,839,426)	-
Administrative expenses	-	(59,296)	59,296
Other changes	-	(8,883)	8,883
Net changes	\$ 576,465	\$ 7,477,837	\$ (6,901,372)
Balances at June 30, 2017	\$ 108,708,461	\$ 90,896,066	\$ 17,812,395

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Notes to Financial Statements
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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, 2016	\$ 7,958,504	\$ 6,347,290	\$ 1,611,214
Changes for the year:			
Service cost	\$ 207,971	\$ -	\$ 207,971
Interest	536,970	-	536,970
Benefit changes	-	-	-
Differences between expected and actual experience	(127,743)	-	(127,743)
Assumption changes	3,590	-	3,590
Contributions - employer	-	178,610	(178,610)
Contributions - employee	-	87,895	(87,895)
Net investment income	-	753,505	(753,505)
Benefit payments, including refunds	(575,011)	(575,011)	-
Administrative expenses	-	(4,552)	4,552
Other changes	-	(663)	663
Net changes	\$ 45,777	\$ 439,784	\$ (394,007)
Balances at June 30, 2017	\$ 8,004,281	\$ 6,787,074	\$ 1,217,207

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

The following presents the net pension liability of the City of Hopewell and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the City of Hopewell'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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
City Net Pension Liability	\$ 30,754,225	\$ 17,812,395	\$ 6,979,695
Component Unit School Board (nonprofessional) Net Pension Liability	\$ 2,021,733	\$ 1,217,207	\$ 529,542

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City of Hopewell and Component Unit School Board (nonprofessional) recognized pension expense of \$2,624,476 and \$158,732, respectively. At June 30, 2018, the City of Hopewell 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	\$ 195,259	\$ 1,995,977	\$	\$ 169,407
Change in assumptions	-	864	2,317	-
Net difference between projected and actual earnings on pension plan investments	-	1,260,519	-	89,259
Change in Proportion	247,789	247,789	-	-
Employer contributions subsequent to the measurement date	2,685,888	-	195,270	-
Total	\$ 3,128,936	\$ 3,505,149	\$ 197,587	\$ 258,666

\$2,685,888 and \$195,270 reported as deferred outflows of resources related to pensions resulting from the City of Hopewell'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, 2019. 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:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2019	\$ (1,709,467)	\$ (187,243)
2020	(505,681)	(9,531)
2021	12,771	4,460
2022	(859,724)	(64,035)
2023	-	-
Thereafter	-	-
	<u>\$ (3,062,101)</u>	<u>\$ (256,349)</u>

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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 regarding the plan description can be found 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, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. 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 \$3,512,486 and \$3,618,621 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the school division reported a liability of \$36,398,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The 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, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion was 31.223% as compared to 30.325% at June 30, 2016.

For the year ended June 30, 2018, the school division recognized pension expense of \$2,614,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to defer amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

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At June 30, 2018, 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	\$ -	\$ 2,718,000
Change in assumptions	560,000	
Net difference between projected and actual earnings on pension plan investments		1,395,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,008,000	1,118,000
Employer contributions subsequent to the measurement date	<u>3,512,486</u>	<u>-</u>
Total	\$ <u>5,080,486</u>	\$ <u>5,231,000</u>

\$3,512,486 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, 2019. 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:

Year Ended June 30

2019	\$ (1,727,000)
2020	(247,000)
2021	(513,000)
2022	(1,168,000)
2023	(8,000)
Thereafter	-
	<u>\$ (3,663,000)</u>

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Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

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 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, 2016 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

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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, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	45,417,520
Plan Fiduciary Net Position		33,119,545
Employers' Net Pension Liability (Asset)	\$	<u>12,297,975</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		72.92%

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.

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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Asests	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
			Inflation
			2.50%
			<u>*Expected arithmetic nominal return</u>
			<u>7.30%</u>

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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. Through the fiscal year ending June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 57,341,000	\$ 38,398,000	\$ 22,728,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program 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 Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none">• City of Richmond• City of Portsmouth• City of Roanoke• City of Norfolk• Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

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GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- **Natural Death Benefit** - The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- **Accidental Death Benefit** – The accidental death benefit is double the natural death benefit.
- **Other Benefit Provisions** – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation.

This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$97,096 and \$93,450 for the years ended June 30, 2018 and June 30, 2017, respectively, for the City; \$10,630 and \$9,752 for the years ended June 30, 2018 and June 30, 2017, respectively, for the School Board (nonprofessional); and \$129,830 and \$128,434 for the years ended June 30, 2018 and June 30, 2017, respectively, for the School Board (professional).

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GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2018, the entity reported a liability of \$1,466,000, \$153,000, and \$2,015,000 for the City, School Board Nonprofessional, and School Board Professional, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was 0.09743%, 0.01017%, and 0.13390% as compared to 0.09384%, 0.0100%, and 0.12900% at June 30, 2016 for the City, School Board Nonprofessional, and School Board Professional, respectively.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$26,000, \$5,000, and \$36,000 for the City, School Board Nonprofessional, and School Board Professional, 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.

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At June 30, 2018, 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	\$ -	\$ 32,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	55,000
Change in assumptions	-	76,000
Changes in proportion	53,000	-
Employer contributions subsequent to the measurement date	97,096	-
Total Primary Government	<u>\$ 150,096</u>	<u>\$ 163,000</u>
Component Unit School Board (nonprofessional)		
Differences between expected and actual experience	\$ -	\$ 3,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	6,000
Change in assumptions	-	8,000
Employer contributions subsequent to the measurement date	10,630	-
Total Component Unit School Board (nonprofessional)	<u>\$ 10,630</u>	<u>\$ 17,000</u>
Component Unit School Board (professional)		
Differences between expected and actual experience	\$ -	\$ 44,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	76,000
Change in assumptions	-	104,000
Changes in proportion	73,000	-
Employer contributions subsequent to the measurement date	129,830	-
Total Component Unit School Board (professional)	<u>\$ 202,830</u>	<u>\$ 224,000</u>

CITY OF HOPEWELL, VIRGINIA
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\$97,096, \$10,630 and \$129,830 for the City, School Board Nonprofessional, and School Board Professional, respectively, 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2019	\$ (24,000)	\$ (4,000)	\$ (33,000)
2020	(24,000)	(4,000)	(33,000)
2021	(24,000)	(4,000)	(33,000)
2022	(24,000)	(4,000)	(33,000)
2023	(10,000)	(1,000)	(14,000)
Thereafter	(4,000)	-	(5,000)
	<u>\$ (110,000)</u>	<u>\$ (17,000)</u>	<u>\$ (151,000)</u>

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

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Mortality Rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. 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
Line of Duty Disability	Increased rate from 14% to 25%

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.

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The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. 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

Mortality Rates – SPORS 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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. 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 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

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Mortality Rates – VaLORS 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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. 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 and reduced margin for future improvement in accordance with experience
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 match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality Rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 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; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. 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 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%

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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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. 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 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%

Mortality Rates – 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.

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The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. 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 retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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.

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. 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	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%

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NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		1,437,586
Employers' Net GLI OPEB Liability (Asset)	\$	1,504,840
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		48.86%

The total GLI OPEB liability is calculated by 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.

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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes.

In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

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

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

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

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
City's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,896,000	\$ 1,466,000	\$ 1,117,000
School Board(nonprofessional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 198,000	\$ 153,000	\$ 117,000
School Board(professional)'s proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 2,606,000	\$ 2,015,000	\$ 1,536,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017->

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

[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

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><tr><th>Years of Service</th><th>Percentage of Premium</th></tr><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></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><tr><th>Years of Service</th><th>Percentage of Premium</th></tr><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></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												

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

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.

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, 2018 (measurement date), the following employees were covered by the benefit terms:

	Primary Government	Component Unit School Board
Total active employees with coverage	363	661
Total retirees with coverage	94	22
Total	<u>457</u>	<u>683</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, 2018. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 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	3.87%

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	3.87%

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 June 30, 2017.

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 3.87% 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.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

Changes in Total OPEB Liability

Changes in Net OPEB Liability

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
Balances at June 30, 2017	\$ 13,897,812	\$ 3,408,586
Changes for the year:		
Service cost	722,339	194,926
Interest	504,161	123,979
Difference between expected and actual experience	-	-
Changes in assumptions	(689,163)	(134,129)
Contributions - employer	-	-
Net investment income	-	-
Benefit payments	(434,818)	(123,597)
Net changes	102,519	61,179
Balances at June 30, 2018	\$ 14,000,331	\$ 3,469,765

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 (2.87%) or one percentage point higher (4.87%) than the current discount rate:

	Rate		
	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Primary Government:			
\$ 15,971,327	\$ 14,000,331	\$ 12,345,011	
Component Unit School Board:			
\$ 3,846,332	\$ 3,469,765	\$ 3,136,170	

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:

	Rates		
	1% Decrease	Healthcare Cost Trend	1% Increase
Primary Government:			
\$ 13,011,225	\$ 14,000,331	\$ 14,999,714	
Component Unit School Board:			
\$ 3,134,538	\$ 3,469,765	\$ 3,873,089	

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

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

For the year ended June 30, 2018, the City and School Board recognized OPEB expense in the amount of \$1,130,783 and \$305,218, respectively. At June 30, 2018, the City and School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 593,446	\$ -	\$ 120,442
Total	\$ -	\$ 593,446	\$ -	\$ 120,442

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

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 18—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

Note 19 —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 FY2018	Amount of Taxes Abated during FY2018
Performance incentive to locate and expand in the City	30%	\$ 395,991

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2018

Note 20 — Restatements of Net Position/Fund Balance

The City and School Board restated certain prior year balances after identifying instances during 2018 where activities in the previous fiscal years were inaccurately recorded in the general or were the results of the implementation of a new accounting standard GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

	Governmental Activities	Business-type Activities	School Board			
Government-wide						
Net position, June 30, 2017, previously reported	\$ 15,089,944	\$ 112,124,882	\$(16,714,738)			
Gasb 75 Implementation	(5,526,220)	(1,335,281)	(4,347,533)			
Prior year due from School Board	(352,408)	-	-			
Prior year accrual error			120,822			
Prior year receivable	-	(1,116,259)	-			
Prior year capital asset recorded in error	-	(292,308)	-			
Balance, as restated, June 30, 2017	<u>\$ 9,211,316</u>	<u>\$ 109,381,034</u>	<u>\$(20,941,449)</u>			
Proprietary Funds	HRWTF	Sewer Service	Solid Waste	Storm Water	Beacon Theatre	Total
Net position, June 30, 2017, previously reported	\$ 74,986,511	\$ 28,021,308	\$ 2,276,089	\$ 1,360,750	\$ 5,480,224	\$ 112,124,882
Gasb 75 Implementation	(1,001,118)	(87,569)	(19,339)	(227,255)	-	(1,335,281)
Prior year Cash					50,374	50,374
Prior year receivable correction	-	(1,116,259)	-	-	-	(1,116,259)
Prior prepaid					(10,991)	(10,991)
Prior year capital asset recorded in error	-	-			(350,034)	(350,034)
Prior year accrued liabilities					10,237	10,237
Prior year unearned revenues					(28,580)	(28,580)
Balance, as restated, June 30, 2017	<u>\$ 73,985,393</u>	<u>\$ 26,817,480</u>	<u>\$ 2,256,750</u>	<u>\$ 1,133,495</u>	<u>\$ 5,187,916</u>	<u>\$ 109,381,034</u>
Governmental Funds	General Fund					
Fund Balance, June 30, 2017, previously reported	\$ 14,045,629					
Prior year due from School Board	(352,408)					
Balance, as restated, June 30, 2017	<u>\$ 13,693,221</u>					

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REQUIRED SUPPLEMENTARY INFORMATION

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
General property taxes	\$ 32,683,120	\$ 32,683,120	\$ 29,786,192	\$ (2,896,928)
Other local taxes	5,689,183	5,689,183	5,291,319	(397,864)
Permits, privilege fees, and regulatory licenses	208,067	208,067	230,410	22,343
Fines and forfeitures	1,632,257	1,632,257	1,604,078	(28,179)
Revenues from use of money and property	69,731	69,731	75,808	6,077
Charges for services	974,835	974,835	859,333	(115,502)
Miscellaneous	2,938,216	2,956,455	1,870,331	(1,086,124)
Recovered costs	-	-	382,500	382,500
Intergovernmental:				
Commonwealth	7,693,011	7,704,359	10,150,466	2,446,107
Federal	286,334	286,334	445,537	159,203
Total revenues	<u>52,174,754</u>	<u>52,204,341</u>	<u>50,695,974</u>	<u>(1,508,367)</u>
EXPENDITURES				
Current:				
General government administration	6,094,030	6,361,486	5,763,177	598,309
Judicial administration	2,809,807	2,810,807	2,546,239	264,568
Public safety	14,634,265	14,883,350	15,109,267	(225,917)
Public works	4,853,456	4,887,752	4,593,785	293,967
Health and welfare	981,461	981,461	1,374,960	(393,499)
Education	14,264,679	14,264,679	12,182,187	2,082,492
Parks, recreation, and cultural	614,261	614,261	788,801	(174,540)
Community development	897,367	938,203	765,789	172,414
Nondepartmental	2,471,125	2,032,365	1,772,438	259,927
Total expenditures	<u>47,620,451</u>	<u>47,774,364</u>	<u>44,896,643</u>	<u>2,877,721</u>
Excess of revenues over expenditures	4,554,303	4,429,977	5,799,331	1,369,354
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(5,180,805)	(5,180,805)	(5,287,651)	(106,846)
Total other financing sources (uses),net	<u>(5,180,805)</u>	<u>(5,180,805)</u>	<u>(5,287,651)</u>	<u>(106,846)</u>
Net change in fund balances	(626,502)	(750,828)	511,680	1,262,508
Fund balances - beginning-as restated(Note 20)	-	-	13,693,221	13,693,221
Fund balances - ending	<u>\$ (626,502)</u>	<u>\$ (750,828)</u>	<u>\$ 14,204,901</u>	<u>\$ 14,955,729</u>

Budgetary Data

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

- 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, 2018

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Intergovernmental:				
Commonwealth	\$ 1,530,788	\$ 1,530,788	\$ 1,238,582	\$ (292,206)
Federal	2,712,750	2,712,750	2,579,923	(132,827)
Miscellaneous	-	-	3,204	3,204
Total revenues	<u>4,243,538</u>	<u>4,243,538</u>	<u>3,821,709</u>	<u>(421,829)</u>
EXPENDITURES				
Current:				
Health and welfare				
Welfare and social Services:				
Welfare administration	1,421,881	1,421,881	440,249	981,632
Public assistance	3,413,357	3,413,357	4,080,006	(666,649)
Total expenditures	<u>4,835,238</u>	<u>4,835,238</u>	<u>4,520,255</u>	<u>314,983</u>
Excess (deficiency) of revenues over (under) expenditures	(591,700)	(591,700)	(698,546)	(106,846)
OTHER FINANCING SOURCES				
Operating transfers in	591,700	591,700	698,546	106,846
Total other financing sources	<u>591,700</u>	<u>591,700</u>	<u>698,546</u>	<u>106,846</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Hopewell, Virginia
Schedule of Changes in City's Net Pension Liability and Related Ratios
For the Year Ended June 30, 2018

	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 2,036,407	\$ 1,974,094	\$ 1,881,386	\$ 1,860,421
Interest	7,364,860	7,121,892	6,920,166	6,707,497
Change in assumption	(1,292)			
Difference between expected and actual experience	(2,984,084)	475,274	120,211	-
Benefit payments, including refunds of employee contributions	(5,839,426)	(6,361,167)	(5,718,746)	(5,340,826)
Net change in total pension liability	576,465	3,210,093	3,203,017	3,227,092
Plan total pension liability - beginning	108,131,996	104,921,903	101,718,886	98,491,794
Plan total pension liability - ending	<u>\$ 108,708,461</u>	<u>\$ 108,131,996</u>	<u>\$ 104,921,903</u>	<u>\$ 101,718,886</u>
Plan fiduciary net position				
Contributions - employer	\$ 2,465,223	\$ 2,060,903	\$ 2,023,775	\$ 1,649,427
Contributions - employee	872,284	831,516	844,447	799,011
Net investment income	10,047,935	1,403,075	3,794,786	11,756,144
Benefit payments, including refunds of employee contributions	(5,839,426)	(6,361,167)	(5,718,746)	(5,340,826)
Administrative expense	(59,296)	(54,474)	(54,133)	(65,207)
Other	(8,883)	(613)	(798)	620
Net change in plan fiduciary net position	7,477,837	(2,120,760)	889,331	8,799,169
Plan fiduciary net position - beginning	83,418,229	85,538,989	84,649,658	75,850,489
Plan fiduciary net position - ending	<u>\$ 90,896,066</u>	<u>\$ 83,418,229</u>	<u>\$ 85,538,989</u>	<u>\$ 84,649,658</u>
Total net pension liability - ending	<u>\$ 17,812,395</u>	<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	83.61%	77.14%	81.53%	83.22%
Covered payroll	\$ 17,926,258	\$ 17,926,258	\$ 16,829,672	\$ 16,746,388
Net pension liability as a percentage of covered payroll	99.36%	137.86%	115.17%	101.93%
Employer Contributions				
Contractually required contribution	\$ 2,723,055	\$ 2,423,732	\$ 2,009,066	\$ 2,023,774
Contributions in relation to contractually required contribution	2,723,055	2,423,732	2,009,066	2,023,774
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 18,651,062	\$ 17,926,258	\$ 16,829,672	\$ 16,746,388
Contributions as a percentage of covered payroll	14.60%	13.52%	11.94%	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 Year Ended June 30, 2018

	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 207,971	\$ 204,573	\$ 202,475	\$ 185,137
Interest	536,970	545,104	534,282	524,469
Change in assumptions	3,590			
Difference between expected and actual experience	(127,743)	(240,879)	62,210	-
Benefit payments, including refunds of employee contributions	(575,011)	(674,980)	(613,765)	(525,083)
Net change in total pension liability	\$ 45,777	\$ (166,182)	\$ 185,202	\$ 184,523
Plan total pension liability - beginning	7,958,504	8,124,686	7,939,484	7,754,961
Plan total pension liability - ending	\$ 8,004,281	\$ 7,958,504	\$ 8,124,686	\$ 7,939,484
Plan fiduciary net position				
Contributions - employer	\$ 178,610	\$ 210,896	\$ 213,125	\$ 159,179
Contributions - employee	87,895	86,708	88,419	88,108
Net investment income	753,505	107,664	293,446	924,453
Benefit payments, including refunds of employee contributions	(575,011)	(674,980)	(613,765)	(525,083)
Administrative expense	(4,552)	(4,221)	(4,268)	(5,167)
Other	(663)	(47)	(60)	48
Net change in plan fiduciary net position	439,784	(273,980)	(23,103)	641,538
Plan fiduciary net position - beginning	6,347,290	6,621,270	6,644,373	6,002,835
Plan fiduciary net position - ending	\$ 6,787,074	\$ 6,347,290	\$ 6,621,270	\$ 6,644,373
Total net pension liability - ending	\$ 1,217,207	\$ 1,611,214	\$ 1,503,416	\$ 1,295,111
Plan fiduciary net position as a percentage of total pension liability	79.75%	79.75%	81.50%	83.69%
Covered payroll	\$ 1,846,602	\$ 1,846,602	\$ 1,786,898	\$ 1,761,986
Net pension liability as a percentage of covered payroll	65.92%	87.25%	84.14%	73.50%
Employer Contributions				
Contractually required contribution	\$ 203,099	\$ 178,358	\$ 210,721	\$ 213,125
Contributions in relation to contractually required contribution	203,099	178,358	210,721	213,125
Contribution excess	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,039,146	\$ 1,846,602	\$ 1,786,898	\$ 1,761,986
Contributions as a percentage of covered payroll	9.96%	9.66%	11.79%	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 Year Ended June 30, 2018

	2018	2017	2016	2015
Proportionate of the net pension liability	0.31223%	0.30325%	0.31187%	0.31383%
Proportionate share of the net pension liability	\$ 38,398,000	\$ 42,498,000	\$ 39,253,000	\$ 37,926,000
Covered payroll	\$ 24,698,847	\$ 24,622,272	\$ 23,121,517	\$ 22,938,444
Proportionate share of the net pension liability as a percentage of its covered payroll	64.32%	57.94%	58.90%	60.48%
Plan fiduciary net position as a percentage of the total pension liability	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	\$ 3,552,276	\$ 3,618,621	\$ 3,303,324	\$ 3,362,153
Contributions in relation to contractually required contribution	3,552,276	3,618,621	3,303,324	3,362,153
Contribution excess	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 24,698,847	\$ 24,622,272	\$ 23,121,517	\$ 22,938,444
Contributions as a percentage of covered payroll	14.38%	14.70%	14.29%	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, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – 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 20%

Largest 10 – 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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%

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%

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

CITY OF HOPEWELL, VIRGINIA
Schedule of City and School Board's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018

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					
2017	0.09743% \$	1,466,000 \$	17,971,197	8.16%	48.86%
Component Unit School Board (nonprofessional)					
2017	0.01017% \$	153,000 \$	1,875,385	8.16%	48.86%
Component Unit School Board (professional)					
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 Year Ended June 30, 2018

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					
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%
2010	30,352	30,352	-	14,985,388	0.20%
2009	40,671	40,671	-	15,063,363	0.27%
Component Unit School Board (nonprofessional)					
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%
2010	3,653	3,653	-	1,795,491	0.20%
2009	4,670	4,670	-	1,729,780	0.27%
Component Unit School Board (professional)					
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%
2010	45,357	45,357	-	22,371,957	0.20%
2009	60,357	60,357	-	22,354,483	0.27%

CITY OF HOPEWELL, VIRGINIA
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State 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
Line of Duty Disability	Increased rate from 14% to 25%

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

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
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 50% to 35%

CITY OF HOPEWELL, VIRGINIA
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2018

(Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

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 20%

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%

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	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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%

CITY OF HOPEWELL, VIRGINIA
Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios
Primary Government
For the Year Ended June 30, 2018

	2018
Total OPEB liability	
Service cost	\$ 722,339
Interest	504,161
Changes in assumptions	(689,163)
Differences between expected and actual experience	-
Benefit payments	(434,818)
Net change in total OPEB liability	\$ 102,519
Total OPEB liability - beginning	13,897,812
Total OPEB liability - ending	\$ 14,000,331
 Covered payroll	 \$ 18,379,042
 City's total OPEB liability (asset) as a percentage of covered payroll	 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 Year Ended June 30, 2018

	2018
Total OPEB liability	
Service cost	\$ 194,926
Interest	123,979
Changes in assumptions	(134,129)
Differences between expected and actual experience	-
Benefit payments	(123,597)
Net change in total OPEB liability	\$ 61,179
Total OPEB liability - beginning	3,408,586
Total OPEB liability - ending	\$ 3,469,765
 Covered payroll	 \$ 27,911,318
 City's total OPEB liability (asset) as a percentage of covered payroll	 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, 2018

Valuation Date: 6/30/2017
Measurement Date: 6/30/2018

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	3.87%
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	3.87%
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.

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, 2018

	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES			
Other local taxes	\$ 3,150,000	\$ 3,274,938	\$ 124,938
Intergovernmental revenues:			
Commonwealth	1,405,530	27,417	(1,378,113)
Federal	-	589,377	589,377
Revenues from use of money and property	32,820	186,969	154,149
Miscellaneous	368,665	828,346	459,681
Total revenues	<u>4,957,015</u>	<u>4,907,047</u>	<u>(49,968)</u>
EXPENDITURES			
Capital projects	13,254,848	4,831,176	8,423,672
Debt service:			
Principal retirement	3,246,976	3,246,705	271
Interest and other fiscal charges	1,577,846	2,208,011	(630,165)
Total expenditures	<u>18,079,670</u>	<u>10,285,892</u>	<u>7,793,778</u>
Deficiency of revenues under expenditures	<u>(13,122,655)</u>	<u>(5,378,845)</u>	<u>7,743,810</u>
OTHER FINANCING SOURCES			
Operating transfers in	3,299,145	3,260,705	(38,440)
Total other financing sources	<u>3,299,145</u>	<u>3,260,705</u>	<u>(38,440)</u>
Net change in fund balances	(9,823,510)	(2,118,140)	7,705,370
Fund balances - beginning	-	10,351,646	10,351,646
Fund balances - ending	<u>\$ (9,823,510)</u>	<u>\$ 8,233,506</u>	<u>\$ 18,057,016</u>

City of Hopewell, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	Recreation Fund	Community Development Block Grant Fund	Anti-Litter Fund	Total
Assets				
Cash and investments	\$ -	\$ 191,733	\$ 36,238	\$ 227,971
Receivables, net of allowance for uncollectibles	4,020	20,721	2	24,743
Total assets	<u>\$ 4,020</u>	<u>\$ 212,454</u>	<u>\$ 36,240</u>	<u>\$ 252,714</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 24,728	\$ 87,259	\$ 817	\$ 112,804
Accrued liabilities	31,160	-	-	31,160
Due to other funds	12,749	19,831	-	32,580
Due to other governments	-	105,364	-	105,364
Total liabilities	<u>68,637</u>	<u>212,454</u>	<u>817</u>	<u>281,908</u>
Fund balances:				
Assigned	-	-	35,423	35,423
Unassigned	(64,617)	-	-	(64,617)
Total fund balances	<u>(64,617)</u>	<u>-</u>	<u>35,423</u>	<u>(29,194)</u>
Total liabilities and fund balances	<u>\$ 4,020</u>	<u>\$ 212,454</u>	<u>\$ 36,240</u>	<u>\$ 252,714</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, 2018

	Recreation Fund	Community Development Block Grant Fund	Anti-Litter Fund	Total
REVENUES				
Revenues from use of money and property	\$ 24,920	\$ -	\$ -	\$ 24,920
Charges for services	161,629	-	-	161,629
Miscellaneous	75,048	-	-	75,048
Intergovernmental:	-			
Commonwealth	21,275	-	21,290	42,565
Federal	-	155,126	-	155,126
Total revenues	<u>282,872</u>	<u>155,126</u>	<u>21,290</u>	<u>459,288</u>
EXPENDITURES				
Current:				
Public works	-	-	4,887	4,887
Parks, recreation, and cultural	1,768,604	-	-	1,768,604
Community development	-	155,126	-	155,126
Total expenditures	<u>1,768,604</u>	<u>155,126</u>	<u>4,887</u>	<u>1,928,617</u>
Deficiency of revenues over (under) expenditures	<u>(1,485,732)</u>	<u>-</u>	<u>16,403</u>	<u>(1,469,329)</u>
OTHER FINANCING SOURCES				
Operating transfers in	1,328,400	-	-	1,328,400
Total other financing sources	<u>1,328,400</u>	<u>-</u>	<u>-</u>	<u>1,328,400</u>
Net change in fund balances	(157,332)	-	16,403	(140,929)
Fund balance - beginning	92,715	-	19,020	111,735
Fund balance - ending	<u>\$ (64,617)</u>	<u>\$ -</u>	<u>\$ 35,423</u>	<u>\$ (29,194)</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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenues from use of money and property	\$ 14,400	\$ 24,920	\$ 10,520
Charges for services	145,700	161,629	15,929
Miscellaneous	194,923	75,048	(119,875)
Intergovernmental:			
Commonwealth	35,000	21,275	(13,725)
Total revenues	<u>390,023</u>	<u>282,872</u>	<u>(107,151)</u>
EXPENDITURES			
Current -			
Parks, recreation, and cultural	1,732,423	1,768,604	(36,181)
Total expenditures	<u>1,732,423</u>	<u>1,768,604</u>	<u>(36,181)</u>
Deficiency of revenues under expenditures	<u>(1,342,400)</u>	<u>(1,485,732)</u>	<u>(143,332)</u>
OTHER FINANCING SOURCES			
Operating transfers in	1,328,400	1,328,400	-
Total other financing sources	<u>1,328,400</u>	<u>1,328,400</u>	<u>-</u>
Net change in fund balances	(14,000)	(157,332)	(143,332)
Fund balances - beginning	-	92,715	92,715
Fund balances - ending	<u>\$ (14,000)</u>	<u>\$ (64,617)</u>	<u>\$ (50,617)</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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Miscellaneous	\$ 22,500	\$ -	\$ (22,500)
Intergovernmental:			
Federal	280,476	155,126	(125,350)
Total revenues	<u>302,976</u>	<u>155,126</u>	<u>(147,850)</u>
EXPENDITURES			
Current -			
Community development	583,467	155,126	428,341
Total expenditures	<u>583,467</u>	<u>155,126</u>	<u>428,341</u>
Net change in fund balances	(280,491)	-	280,491
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,491</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, 2018

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental:			
Commonwealth	\$ 6,063	\$ 21,290	\$ 15,227
Total revenues	<u>6,063</u>	<u>21,290</u>	<u>15,227</u>
EXPENDITURES			
Current -			
Public works	6,063	4,887	1,176
Total expenditures	<u>6,063</u>	<u>4,887</u>	<u>1,176</u>
Net change in fund balances	-	16,403	16,403
Fund balances - beginning	-	19,020	19,020
Fund balances - ending	<u>\$ -</u>	<u>\$ 35,423</u>	<u>\$ 35,423</u>

City of Hopewell, Virginia
Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2018

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Special Welfare Fund:				
Assets -				
Cash and cash equivalents	\$ 53,671	\$ 10,879	\$ 12,857	\$ 51,693
Liabilities -				
Amounts held for social services clients	\$ 53,671	\$ 10,879	\$ 12,857	\$ 51,693
Healthy Families Fund:				
Assets -				
Cash and cash equivalents	\$ -	227,534	227,534	\$ -
Liabilities -				
Amounts held for Healthy Family Funds	\$ -	\$ 227,534	\$ 227,534	\$ -
Police Evidence Fund				
Assets -				
Cash and cash equivalents	\$ 55,457	\$ 33,472	\$ 48,782	\$ 40,147
Liabilities -				
Amounts held disposition	\$ 55,457	\$ 33,472	\$ 48,782	\$ 40,147
Total Agency Fund:				
Assets -				
Cash and cash equivalents	\$ 109,128	\$ 271,885	\$ 289,173	\$ 91,840
Liabilities -				
Amounts held for others	\$ 109,128	\$ 271,885	\$ 289,173	\$ 91,840

City of Hopewell, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2018

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Building and Bus Replacement Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,570,109	\$ 1,036,822	\$ 817,276	\$ -	\$ 5,424,207
Receivables, net of allowance for uncollectibles	53,940	10,748	-	-	64,688
Due from other funds	1,886,360	-	-	-	1,886,360
Due from other governmental units	5,365,928	120,029	-	-	5,485,957
Inventories	-	68,767	-	-	68,767
Total assets	<u>\$ 10,876,337</u>	<u>\$ 1,236,366</u>	<u>\$ 817,276</u>	<u>\$ -</u>	<u>\$ 12,929,979</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 532,848	\$ 14,598	\$ -	\$ 145,650	\$ 693,096
Accrued liabilities	4,085,573	142,022	-	-	4,227,595
Due to other funds	-	7,443	-	1,878,917	1,886,360
Due to primary government	5,854,056	-	-	-	5,854,056
Unearned revenues	403,860	38,002	-	-	441,862
Total liabilities	<u>10,876,337</u>	<u>202,065</u>	<u>-</u>	<u>2,024,567</u>	<u>13,102,969</u>
Fund balances:					
Nonspendable	-	68,767	-	-	68,767
Restricted	-	965,534	817,276	-	1,782,810
Unassigned	-	-	-	(2,024,567)	(2,024,567)
Total fund balances	<u>-</u>	<u>1,034,301</u>	<u>817,276</u>	<u>(2,024,567)</u>	<u>(172,990)</u>
Total liabilities and fund balances	<u>\$ 10,876,337</u>	<u>\$ 1,236,366</u>	<u>\$ 817,276</u>	<u>\$ -</u>	<u>\$ 12,929,979</u>

Total fund balances per above \$ (172,990)

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	\$ 48,945,082	
Less: accumulated depreciation	<u>(20,363,837)</u>	28,581,245

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	\$ (911,549)	
Net pension liability	(39,615,207)	
Deferred outflow - pension	5,278,073	
Deferred inflow - pension	(5,489,666)	
Net OPEB liability	(5,637,765)	
Deferred outflow - OPEB	213,460	
Deferred inflow - OPEB	(361,442)	
Note payable to the Primary Government	<u>(1,258,784)</u>	<u>(47,782,880)</u>

Net position of governmental activities \$ (19,374,625)

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, 2018

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Building and Bus Replacement Fund	Total Governmental Funds
REVENUES					
Charges for services	\$ 26,610	\$ 178,424	\$ -	\$ -	\$ 205,034
Miscellaneous	107,114	-	-	-	107,114
Intergovernmental:					
Local government	12,182,187	-	-	-	12,182,187
Commonwealth	29,099,782	78,647	344,541	-	29,522,970
Federal	5,330,144	2,601,892	-	-	7,932,036
Total revenues	<u>46,745,837</u>	<u>2,858,963</u>	<u>344,541</u>	<u>-</u>	<u>49,949,341</u>
EXPENDITURES					
Current:					
Administration	1,451,391	2,585,584	-	-	4,036,975
Instruction	36,605,135	-	350,029	-	36,955,164
Operating	8,689,311	468,713	-	-	9,158,024
Capital projects	-	42,526	-	1,524,486	1,567,012
Total expenditures	<u>46,745,837</u>	<u>3,096,823</u>	<u>350,029</u>	<u>1,524,486</u>	<u>51,717,175</u>
Net change in fund balances	-	(237,860)	(5,488)	(1,524,486)	(1,767,834)
Fund balances - beginning-as restated(Note xx)	-	1,272,161	822,764	(500,081)	1,594,844
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,034,301</u>	<u>\$ 817,276</u>	<u>\$ (2,024,567)</u>	<u>\$ (172,990)</u>
Net change in fund balances - total governmental funds - per above					\$ (1,767,834)
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				\$ 2,112,199	
Net change in City's interest in School assets				1,811,267	
Depreciation expense				<u>(1,597,895)</u>	2,325,571
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				\$ (11,927)	
Increase in OPEB activity				(65,982)	
Decrease in pension activity				966,099	
Decrease in note payable to the Primary Government				<u>120,897</u>	1,009,087
Change in net position of governmental activities					<u>\$ 1,566,824</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, 2018

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive Negative
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	\$ 200	\$ 200	\$ -	\$ (200)
Charges for services	83,000	83,000	26,610	(56,390)
Miscellaneous	515,130	515,130	107,114	(408,016)
Intergovernmental:				
Local government	14,264,679	14,264,679	12,182,187	(2,082,492)
Commonwealth	29,357,072	29,463,052	29,099,782	(363,270)
Federal	4,659,452	5,134,950	5,330,144	195,194
Total revenues	48,879,533	49,461,011	46,745,837	(2,715,174)
EXPENDITURES				
Current:				
Education	48,350,868	49,420,931	46,610,977	2,809,954
Debt service	528,665	528,665	134,860	393,805
Total expenditures	48,879,533	49,949,596	46,745,837	3,203,759
Net change in fund balance	-	(488,585)	-	488,585
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ (488,585)	\$ -	\$ 488,585

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, 2018

	School Cafeteria Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	\$ 600	\$ 600	\$ -	\$ (600)
Charges for services	177,350	177,350	178,424	1,074
Intergovernmental:				
Commonwealth	59,474	59,474	78,647	19,173
Federal	2,030,485	2,030,485	2,601,892	571,407
Total revenues	2,267,909	2,267,909	2,858,963	591,054
EXPENDITURES				
Current:				
Education	2,634,306	2,700,666	2,585,584	115,082
Operations and maintenance	532,222	522,895	468,713	54,182
Capital projects	102,823	45,791	42,526	3,265
Total expenditures	3,269,351	3,269,352	3,096,823	172,529
Net change in fund balance	(1,001,442)	(1,001,443)	(237,860)	763,583
Fund balance - beginning	-	-	1,272,161	1,272,161
Fund balance - ending	\$ (1,001,442)	\$ (1,001,443)	\$ 1,034,301	\$ 2,035,744

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, 2018

	School Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ 200	\$ 200	\$ -	\$ (200)
Intergovernmental:				
Commonwealth	344,388	344,388	344,541	153
Total revenues	<u>344,588</u>	<u>344,588</u>	<u>344,541</u>	<u>(47)</u>
EXPENDITURES				
Current:				
Education	650,000	650,000	350,029	299,971
Total expenditures	<u>650,000</u>	<u>650,000</u>	<u>350,029</u>	<u>299,971</u>
Net change in fund balance	(305,412)	(305,412)	(5,488)	299,924
Fund balance - beginning	-	-	822,764	822,764
Fund balance - ending	<u>\$ (305,412)</u>	<u>\$ (305,412)</u>	<u>\$ 817,276</u>	<u>\$ 1,122,688</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, 2018

	Building and Bus Replacement Fund		
	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	
REVENUES			
Revenues from use of money and property	\$ 300	\$ 300	\$ -
Total revenues	300	300	(300)
EXPENDITURES			
Capital projects:			
Capital outlay	1,978,960	2,046,529	1,524,486
Total expenditures	1,978,960	2,046,529	1,524,486
Net change in fund balances	(1,978,660)	(2,046,229)	(1,524,486)
Fund balances - beginning	-	-	(500,081)
Fund balances - ending	\$ (1,978,660)	\$ (2,046,229)	\$ (2,024,567)
			\$ 21,662

Balance Sheet
Discretely Presented Component Unit - Children's Services Act Board
June 30, 2018

ASSETS

Cash	\$ 167,950
Interest receivable	53
Due from other governmental units	1,024,083
Due from primary government	651,894
Total assets	<u>1,843,980</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	386,675
Accrued liabilities	84
Due to the Commonwealth of Virginia	1,457,221
Total liabilities	<u>1,843,980</u>

Fund balances:

Assigned	<u>-</u>
Total fund balance	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,843,980</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - Children's Services Act Board
For the Year Ended June 30, 2018

REVENUES

Miscellaneous	\$ 26,328
Intergovernmental:	
Local government	929,098
Commonwealth	2,151,649
Federal	67,259
Total revenues	<u>3,174,334</u>

EXPENDITURES

Current:	
Health and welfare	3,174,334
Total expenditures	<u>3,174,334</u>

Excess of revenues over expenditures	<u>-</u>
--------------------------------------	----------

Net change in fund balance	-
Fund balance - beginning	-
Fund balance - ending	<u><u>\$ -</u></u>

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
Recreation Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance with Final Positive (Negative)
Revenues:			
Revenues from local sources:			
Revenues from use of money and property:	\$ 14,400	\$ 24,920	\$ 10,520
Total revenues from use of money and property	<u>14,400</u>	<u>24,920</u>	<u>10,520</u>
Charges for services	<u>145,700</u>	<u>161,629</u>	<u>15,929</u>
Total charges for services	<u>145,700</u>	<u>161,629</u>	<u>15,929</u>
Miscellaneous:			
Miscellaneous refunds and grants	<u>194,923</u>	<u>75,048</u>	<u>(119,875)</u>
Total miscellaneous	<u>194,923</u>	<u>75,048</u>	<u>(119,875)</u>
Total revenues from local sources	<u>355,023</u>	<u>261,597</u>	<u>(93,426)</u>
Revenue from the Commonwealth			
Other state aid	<u>35,000</u>	<u>21,275</u>	<u>(13,725)</u>
Total revenues	<u>\$ 390,023</u>	<u>\$ 282,872</u>	<u>\$ (107,151)</u>
Expenditures:			
Parks, recreation, and cultural:			
Parks and recreation:			
Recreation centers and playgrounds	\$ 610,480	\$ 715,323	\$ (104,843)
Community division	134,938	138,674	(3,736)
Athletics division	145,057	139,462	5,595
Seniors' division	152,319	119,247	33,072
	205,994	203,066	2,928
Parks	466,265	442,586	23,679
Marina	14,400	3,390	11,010
Grants	2,970	6,856	(3,886)
Total parks and recreation	<u>1,732,423</u>	<u>1,768,604</u>	<u>(36,181)</u>
Total expenditures	<u>\$ 1,732,423</u>	<u>\$ 1,768,604</u>	<u>\$ (36,181)</u>

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2018

	Final Budget	Actual	Variance with Final Positive (Negative)
Revenues			
Revenues from other governments -			
Commonwealth	\$ 1,591,557	\$ 27,417	\$ (1,564,140)
Federal	186,027	589,377	403,350
Total revenues from other governments	<u>1,777,584</u>	<u>616,794</u>	<u>(1,160,790)</u>
Local sources -			
Other local taxes:			
Hotel and motel room taxes	850,000	903,480	53,480
Restaurant food taxes	2,300,000	2,371,458	71,458
Total other local taxes	<u>3,150,000</u>	<u>3,274,938</u>	<u>124,938</u>
Revenues from use of money and property -			
Revenue from the use of money	31,888	186,969	155,081
Total revenues from use of money and property	<u>31,888</u>	<u>186,969</u>	<u>155,081</u>
Miscellaneous			
Other miscellaneous	368,665	828,346	459,681
Total miscellaneous	<u>368,665</u>	<u>828,346</u>	<u>459,681</u>
Total revenue from local sources	<u>3,550,553</u>	<u>4,290,253</u>	<u>739,700</u>
Total revenues	<u>\$ 5,328,137</u>	<u>\$ 4,907,047</u>	<u>\$ (421,090)</u>
Expenditures			
Capital Projects:			
Equipment	\$ 7,825,296	\$ 2,528,153	\$ 5,297,143
Parks and recreation	1,012,312	479,901	532,411
Economic development	38,440	-	38,440
Other projects	358,286	126,944	231,342
Streets, curbs, and gutters	4,020,514	1,696,178	2,324,336
Total capital projects	<u>13,254,848</u>	<u>4,831,176</u>	<u>8,423,672</u>
Debt Service:			
Principal retirement	3,246,976	3,246,705	271
Interest and other fiscal charges	1,577,846	2,208,011	(630,165)
Total debt service	<u>4,824,822</u>	<u>5,454,716</u>	<u>(629,894)</u>
Total expenditures	<u>\$ 18,079,670</u>	<u>\$ 10,285,892</u>	<u>\$ 7,793,778</u>

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Component Unit School Board
For the Year Ended June 30, 2018

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	83,000	83,000	26,610	(56,390)
Miscellaneous revenues -				
Wallace Foundation Grant	500,130	500,130	84,724	(415,406)
Outside Sources	-	-	9,235	9,235
Other miscellaneous	15,000	15,000	13,155	(1,845)
Total revenues from local sources	<u>598,330</u>	<u>598,330</u>	<u>133,724</u>	<u>(464,606)</u>
Intergovernmental: revenues:				
Revenues from local governments -				
Contribution from the City of Hopewell, Virginia	14,264,679	14,264,679	12,182,187	(2,082,492)
Contribution from the City of Hopewell, Virginia - Debt Service	-	-	-	-
Total revenues from local governments	<u>14,264,679</u>	<u>14,264,679</u>	<u>12,182,187</u>	<u>(2,082,492)</u>
Revenues from the Commonwealth:				
Categorical aid:				
Share of state sales tax	4,142,129	4,142,129	3,924,097	(218,032)
Basic school aid	13,410,833	13,410,833	13,383,982	(26,851)
ISAEF	15,717	15,717	16,587	870
Remedial summer education	237,234	237,234	190,973	(46,261)
Regular foster care	-	-	7,262	7,262
Special education foster care	19,241	19,241	9,797	(9,444)
Homebound education	36,945	36,945	62,145	25,200
Gifted and talented	150,579	150,579	150,646	67
Remedial education	1,097,975	1,097,975	1,098,463	488
Special education	1,700,292	1,700,292	1,701,049	757
Vocational	7,370	7,370	13,545	6,175
Vocational education	423,504	423,504	425,380	1,876
Social security fringe benefits	912,887	912,887	913,294	407
Retirement fringe benefits	2,092,426	2,092,426	2,093,357	931
Group life insurance benefits	62,741	62,741	62,769	28
Early reading intervention	200,998	200,998	208,729	7,731
At-risk payments	1,209,222	1,209,222	1,231,172	21,950
Primary class size	1,397,131	1,397,131	1,369,759	(27,372)
At-risk four year olds	696,074	696,074	696,074	-
Education technology	322,800	322,800	89,206	(233,594)
Standards of Learning algebra readiness	96,493	96,493	99,210	2,717
Mentor teacher program	6,740	6,740	6,205	(535)
English as a second language	107,059	107,059	105,572	(1,487)
School Security Equipment Grant	-	55,980	53,152	(2,828)
Supplemental Support	859,934	859,934	861,101	1,167
Compensation Support	142,024	142,024	142,014	(10)
Regional Special Ed	-	-	119,958	119,958
Industry Certification	-	-	5,561	5,561
Planning for Ext Year	-	50,000	50,000	-
Lottery Proceeds	8,724	8,724	-	(8,724)
Project Graduation	-	-	8,723	8,723
Total categorical aid	<u>29,357,072</u>	<u>29,463,052</u>	<u>29,099,782</u>	<u>(363,270)</u>
Total revenues from the Commonwealth	<u>29,357,072</u>	<u>29,463,052</u>	<u>29,099,782</u>	<u>(363,270)</u>

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Component Unit School Board
For the Year Ended June 30, 2018

Fund, Major, and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenue from the federal government:				
Categorical aid:				
Title I	\$1,445,199	\$1,803,880	\$1,783,022	(20,858)
Impact Aid	20,000	20,000	13,717	(6,283)
Special Ed	946,810	946,810	902,372	(44,438)
Vocational Education	89,657	89,657	96,002	6,345
Title II	235,461	235,461	216,552	(18,909)
Title III	14,286	14,286	8,921	(5,365)
Title IV - Part A	-	38,268	33,771	(4,497)
E-Rate Funds	70,000	70,000	-	(70,000)
Head Start	1,254,595	1,254,595	1,355,242	100,647
JROTC	59,500	59,500	72,237	12,737
Preschool	22,312	22,312	22,312	-
Medicaid Reimbursements	175,000	175,000	531,999	356,999
21st Century Community Learn Ctr	326,632	405,181	293,997	(111,184)
Total categorical aid	<u>4,659,452</u>	<u>5,134,950</u>	<u>5,330,144</u>	<u>195,194</u>
Total revenue from the federal government	<u>4,659,452</u>	<u>5,134,950</u>	<u>5,330,144</u>	<u>195,194</u>
 Total School Operating Fund	<u>\$ 48,879,533</u>	<u>\$ 49,461,011</u>	<u>\$ 46,745,837</u>	<u>\$ (2,715,174)</u>
 School Cafeteria Fund:				
Revenues from local sources:				
Revenues from use of money and property				
Revenue from the use of money	\$ 600	\$ 600	\$ -	\$ (600)
Charges for services -				
Cafeteria sales	<u>177,350</u>	<u>177,350</u>	<u>178,424</u>	<u>1,074</u>
Total revenues from local sources	<u>177,950</u>	<u>177,950</u>	<u>178,424</u>	<u>474</u>
 Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid -				
School food program grant	<u>59,474</u>	<u>59,474</u>	<u>78,647</u>	<u>19,173</u>
 Revenue from the federal government:				
Categorical aid:				
School food program grant	2,030,485	2,030,485	2,413,989	383,504
USDA commodities	-	-	187,903	187,903
Total categorical aid	<u>2,030,485</u>	<u>2,030,485</u>	<u>2,601,892</u>	<u>571,407</u>
Total revenues from the federal government	<u>2,030,485</u>	<u>2,030,485</u>	<u>2,601,892</u>	<u>571,407</u>
 Total School Cafeteria Fund	<u>\$ 2,267,909</u>	<u>\$ 2,267,909</u>	<u>\$ 2,858,963</u>	<u>\$ 591,054</u>

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Component Unit School Board
For the Year Ended June 30, 2018

Fund, Major, and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Textbook Fund:				
Revenues from use of money and property -				
Revenues from the use of money	\$ 200	\$ 200	\$ -	\$ (200)
Total revenues from use of money and property	<u>200</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
Intergovernmental:				
Revenues from the Commonwealth:				
Categorical aid -				
Textbook funds	344,388	344,388	344,541	153
Total revenue from the Commonwealth	<u>344,388</u>	<u>344,388</u>	<u>344,541</u>	<u>153</u>
Total School Textbook Fund	<u>\$ 344,588</u>	<u>\$ 344,588</u>	<u>\$ 344,541</u>	<u>\$ (47)</u>
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	<u>300</u>	<u>300</u>	<u>-</u>	<u>(300)</u>
Miscellaneous				
Other miscellaneous	-	-	-	-
Total Building and Bus Replacement Fund	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ (300)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 51,492,330</u>	<u>\$ 52,073,808</u>	<u>\$ 49,949,341</u>	<u>\$ (2,124,467)</u>

City of Hopewell, Virginia
Schedule of Expenditures - Budget and Actual
Component Unit School Board
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board				
School Operating Fund				
Education:				
Administration of schools -				
Administration	\$ 1,624,086	\$ 1,637,381	\$ 1,451,391	\$ 185,990
Total administration of schools	<u>1,624,086</u>	<u>1,637,381</u>	<u>1,451,391</u>	<u>185,990</u>
Instruction costs:				
Compensation	34,880,054	34,451,846	34,039,766	412,080
Supplies	1,226,866	1,792,708	928,198	864,510
Equipment	220,165	177,547	134,504	43,043
Purchased services	1,369,365	1,653,548	1,502,667	150,881
Total instruction costs	<u>37,696,450</u>	<u>38,075,649</u>	<u>36,605,135</u>	<u>1,470,514</u>
Operating costs:				
Attendance and health services	960,396	1,175,456	1,201,207	(25,751)
Pupil transportation	1,467,419	1,472,069	1,248,370	223,699
Operation and maintenance of school plant	4,434,606	4,633,036	4,081,409	551,627
Technology	2,167,911	2,427,340	2,023,465	403,875
Total operating costs	<u>9,030,332</u>	<u>9,707,901</u>	<u>8,554,451</u>	<u>1,153,450</u>
Total education	<u>48,350,868</u>	<u>49,420,931</u>	<u>46,610,977</u>	<u>2,809,954</u>
Operating costs -				
Debt service	528,665	528,665	134,860	393,805
Total School Operating Fund	<u>\$ 48,879,533</u>	<u>\$ 49,949,596</u>	<u>\$ 46,745,837</u>	<u>\$ 3,203,759</u>
School Cafeteria Fund:				
Education:				
School food services -				
Administration of school food program	\$ 2,634,306	\$ 2,700,666	\$ 2,585,584	\$ 115,082
Total education	<u>2,634,306</u>	<u>2,700,666</u>	<u>2,585,584</u>	<u>115,082</u>
Operations:				
Repair and replacement of equipment	472,644	482,867	441,012	41,855
Other	59,578	40,028	27,701	12,327
Total Operations and Maintenance	<u>532,222</u>	<u>522,895</u>	<u>468,713</u>	<u>54,182</u>
Capital project expenditures -				
Capital projects	102,823	45,791	42,526	3,265
Total capital projects	<u>102,823</u>	<u>45,791</u>	<u>42,526</u>	<u>3,265</u>
Total School Cafeteria Fund	<u>\$ 3,269,351</u>	<u>\$ 3,269,352</u>	<u>\$ 3,096,823</u>	<u>\$ 172,529</u>
School Textbook Fund:				
Education:				
Instruction	\$ 650,000	\$ 650,000	\$ 350,029	\$ 299,971
Total education	<u>650,000</u>	<u>650,000</u>	<u>350,029</u>	<u>299,971</u>
Total School Textbook Fund	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ 350,029</u>	<u>\$ 299,971</u>
Capital Projects Fund:				
Building and Bus Replacement Fund				
Education:				
Capital project expenditures:				
Other project costs	\$ 1,978,960	\$ 2,046,529	\$ 1,524,486	\$ 522,043
Total capital projects	<u>1,978,960</u>	<u>2,046,529</u>	<u>1,524,486</u>	<u>522,043</u>
Total Building and Bus Replacement Fund	<u>\$ 1,978,960</u>	<u>\$ 2,046,529</u>	<u>\$ 1,524,486</u>	<u>\$ 522,043</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 54,777,844</u>	<u>\$ 55,915,477</u>	<u>\$ 51,717,175</u>	<u>\$ 4,198,302</u>

STATISTICAL SECTION

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STATISTICAL SECTION

The Statistical Section of the City of Hopewell, Virginia's Annual Comprehensive 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:

Table

Financial trends information

1 to 4

Financial trends information is intended to help the reader understand and assess how the City's financial position has changed over time.

Revenue capacity information

5 to 8

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.

Debt capacity information

9 to 11

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.

Demographic and economic information

12 to 14

Demographic and economic information is intended to help the reader understand the socioeconomic environment within which the City's financial activities take place.

Operating information

15 to 16

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.

Table 1

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Government activities:										
Net investment in capital assets	\$ 1,080,980	\$ 2,846,179	\$ (5,421,549)	\$ 2,462,560	\$ 409,366	\$ 2,934,686	\$ 8,237,548	\$ 9,806,936	\$ 15,515,897	\$ 42,341,331
Restricted	1,238,289	983,265	11,016,079	1,054,321	1,024,445	469,962	472,833	464,911	400,000	-
Unrestricted	29,341,147	25,589,865	20,864,117	22,001,951	21,485,263	20,049,644	20,446,091	17,328,832	(698,824)	(27,874,350)
Total governmental activities net position	<u>\$ 31,660,416</u>	<u>\$ 29,419,309</u>	<u>\$ 26,458,647</u>	<u>\$ 25,518,832</u>	<u>\$ 22,919,074</u>	<u>\$ 23,454,292</u>	<u>\$ 29,156,472</u>	<u>\$ 27,600,679</u>	<u>\$ 15,217,073</u>	<u>\$ 14,466,981</u>
Business-Type activities:										
Net investment in capital assets	\$ 2,001,382	\$ 379,108	\$ (1,881,277)	\$ 833,056	\$ 3,522,077	\$ 4,439,464	\$ 5,573,075	\$ 11,156,352	\$ 31,226,996	\$ 70,349,924
Restricted	395,641	395,641	395,641	395,641	395,641	502,351	-	-	-	2,928,418
Unrestricted	20,590,674	21,410,651	21,695,483	20,822,720	20,539,183	24,658,155	25,967,344	21,645,447	21,759,463	24,913,689
Total Business-Type activities net position	<u>\$ 22,987,697</u>	<u>\$ 22,185,400</u>	<u>\$ 20,209,847</u>	<u>\$ 22,051,417</u>	<u>\$ 24,456,901</u>	<u>\$ 29,599,970</u>	<u>\$ 31,540,419</u>	<u>\$ 32,801,799</u>	<u>\$ 52,986,459</u>	<u>\$ 98,192,031</u>
Primary Government:										
Net investment in capital assets	\$ 3,082,362	\$ 3,225,287	\$ (7,302,826)	\$ 3,295,616	\$ 3,931,443	\$ 7,374,150	\$ 13,810,623	\$ 20,963,288	\$ 46,742,893	\$ 112,691,255
Restricted	1,633,930	1,378,906	11,411,720	1,449,962	1,420,086	972,313	472,833	464,911	400,000	2,928,418
Unrestricted	49,931,821	47,000,516	42,559,600	42,824,671	42,024,446	44,707,799	46,413,435	38,974,279	21,060,639	(2,960,661)
Total Primary Government net position	<u>\$ 54,648,113</u>	<u>\$ 51,604,709</u>	<u>\$ 46,668,494</u>	<u>\$ 47,570,249</u>	<u>\$ 47,375,975</u>	<u>\$ 53,054,262</u>	<u>\$ 60,696,891</u>	<u>\$ 60,402,478</u>	<u>\$ 68,203,532</u>	<u>\$ 112,659,012</u>

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

Table 2
Page 1 of 2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Government activities:										
General government	\$ 3,375,486	\$ 3,355,309	\$ 3,005,250	\$ 4,460,353	\$ 6,104,946	\$ 8,303,573	\$ 8,482,373	\$ 9,598,375	\$ 7,471,201	\$ 5,065,483
Judicial administration	1,778,649	1,959,936	2,115,285	2,084,915	1,643,680	2,107,894	2,217,984	2,598,072	2,810,211	2,694,035
Public safety	12,332,692	12,594,747	13,815,831	12,847,039	10,761,188	11,841,600	11,720,652	14,012,598	16,464,074	14,031,657
Public works	1,772,710	4,720,713	5,032,124	4,705,675	5,338,658	4,203,248	711,805	1,540,362	3,227,810	5,794,089
Health and welfare	5,322,346	5,764,789	6,082,016	5,486,078	5,514,230	5,548,091	5,259,409	5,363,582	5,532,202	5,899,170
Education	12,264,674	12,419,569	12,641,913	14,587,637	15,960,520	14,701,888	13,675,250	13,266,424	15,202,676	13,995,712
Parks, recreation and cultural	2,342,189	2,893,300	2,771,191	2,396,107	1,187,879	2,311,175	2,462,345	2,530,959	2,408,566	2,421,366
Community development	947,666	1,097,051	1,426,189	1,499,806	2,885,797	735,236	729,140	896,763	868,640	2,323,189
Interest on long-term debt	1,810,935	1,623,712	1,942,319	1,624,907	2,228,636	1,836,461	1,655,027	1,325,884	2,608,205	2,252,111
Total governmental activities expenses	41,947,347	46,429,126	48,832,118	49,692,517	51,625,534	51,589,166	46,913,985	51,133,019	56,593,585	54,476,812
Business-Type activities:										
Public utilities	16,961,532	17,697,147	21,188,607	17,709,774	16,348,442	16,193,605	18,163,995	21,114,290	23,816,770	21,303,229
Total Primary Government expenses	58,908,879	64,126,273	70,020,725	67,402,291	67,973,976	67,782,771	65,077,980	72,247,309	80,410,355	75,780,041
Program Revenues										
Government activities:										
Charges for services:										
General government administration	-	201,555	-	1,991	7,620	3,913	4,464	3,718	-	395,800
Judicial administration	82,948	200,543	362,032	26,273	31,532	35,492	37,325	66,938	58,951	53,913
Public Safety	549,021	293,746	454,764	414,833	463,133	580,930	534,761	555,568	541,987	520,413
Public Works	-	-	-	-	19	1	3	7	-	-
Parks, recreation and cultural	141,640	177,568	102,269	308,350	296,931	253,921	245,420	198,885	145,507	153,249
Community development	-	-	-	78,193	70,194	58,448	51,959	82,410	-	-
Operating grants and contributions	9,801,482	10,170,554	10,925,941	10,089,840	10,569,646	10,125,073	10,227,954	9,987,193	10,615,538	11,244,004
Capital grants and contributions	-	262,809	197,033	380,537	361,697	2,400,955	481,634	316,105	245,093	593,982
Total governmental activities program revenues	10,575,091	11,306,775	12,042,039	11,300,017	11,800,772	13,458,733	11,583,520	11,210,824	11,607,076	12,961,361
Business-Type activities:										
Charges for services:										
Public utilities	16,219,446	16,017,671	18,808,470	18,400,410	18,537,642	17,775,706	18,358,264	22,385,729	21,134,708	27,574,838
Operating grants and contributions	-	33,661	-	-	-	-	-	-	-	21,906,801
Capital grants and contributions	-	-	-	513,084	82,284	3,100,000	1,160,000	-	23,492,801	13,305,001
Total Business-Type activities program revenues	16,219,446	16,051,332	18,808,470	18,913,494	18,619,926	20,875,706	19,518,264	22,385,729	44,627,509	62,786,640
Total Primary Government program revenues	26,794,537	27,358,107	30,850,509	30,213,511	30,420,698	34,334,439	31,101,784	33,596,553	56,234,585	75,748,001
Net (expense) / revenue:										
Governmental activities	(31,372,256)	(35,122,351)	(36,790,079)	(38,392,500)	(39,824,762)	(38,130,433)	(35,330,465)	(39,922,195)	(44,986,509)	(41,515,451)
Business-Type activities	(742,086)	(1,645,815)	(2,380,137)	1,203,720	2,271,484	4,682,101	1,354,269	1,271,439	20,810,739	41,483,411
Total Primary Government net expense	\$ (32,114,342)	\$ (36,768,166)	\$ (39,170,216)	\$ (37,188,780)	\$ (37,553,278)	\$ (33,448,332)	\$ (33,976,196)	\$ (38,650,756)	\$ (24,175,770)	\$ (32,040)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 23,466,018	\$ 21,003,914	\$ 23,548,847	\$ 24,953,126	\$ 24,183,723	\$ 24,250,333	\$ 25,324,405	\$ 25,585,445	\$ 29,559,595	\$ 31,221,372
Local sales and use taxes	1,992,012	1,872,972	1,752,105	1,904,436	1,866,495	1,921,273	1,989,128	2,048,011	1,960,808	2,075,150
Consumer utility taxes	914,129	665,210	349,751	350,230	376,118	347,966	355,950	348,009	389,249	379,052
Business licenses taxes	1,537,086	1,621,535	1,671,362	1,871,513	1,766,087	1,568,560	1,738,831	1,773,174	1,756,407	1,844,640
Other local taxes	3,184,311	3,970,017	4,212,375	5,345,796	5,754,161	6,583,703	6,331,024	6,166,649	6,208,306	6,000,284
Unrestricted grants and contributions	1,801,786	1,407,833	1,534,464	1,618,030	1,618,030	1,968,030	1,768,999	1,628,873	-	-
Unrestricted revenues from use of money and property	2,033,562	1,768,070	593,272	127,687	154,399	98,440	110,552	78,461	93,151	121,552
Gain on disposal of capital assets	-	1,000,000	-	-	-	-	-	-	-	-
Interest rate subsidy	-	-	-	-	363,750	-	-	-	-	-
Miscellaneous	266,383	266,593	167,241	1,281,867	1,142,241	1,927,346	1,736,852	1,620,797	1,478,801	1,594,945
Loss on debt refunding	-	-	-	-	-	-	-	-	2,127,083	-
Transfers	-	-	-	-	-	-	(66,495)	(407,326)	502,000	-
Total governmental activities	35,195,287	33,576,144	33,829,417	37,452,685	37,225,004	38,665,651	39,289,246	38,842,093	44,075,400	43,236,994
Business-Type activities:										
Transfers	-	-	-	-	-	-	66,495	407,326	(502,000)	-
Miscellaneous	-	-	-	-	-	-	216,311	-	811,486	-
Unrestricted revenues from use of money and property	951,842	843,518	404,584	36,210	134,000	460,967	303,374	268,690	247,297	318,470
Total Business-Type activities	951,842	843,518	404,584	36,210	134,000	460,967	586,180	676,016	556,783	318,470
Total Primary Government	36,147,129	34,419,662	34,234,001	37,488,895	37,359,004	39,126,618	39,875,426	39,518,109	44,632,183	43,555,464
Special item - loss on capital contributed	-	-	-	-	-	-	(1,160,000)	-	-	-
Change in Net Position:										
Governmental activities	3,823,031	(1,546,207)	(2,960,662)	(939,815)	(2,599,758)	535,218	2,798,781	(1,080,102)	(911,109)	1,721,543
Business-Type activities	209,756	(802,297)	(1,975,553)	1,239,930	2,405,484	5,143,068	1,940,449	1,947,455	21,367,522	41,801,881
Total Primary Government	\$ 4,032,787	\$ (2,348,504)	\$ (4,936,215)	\$ 300,115	\$ (194,274)	\$ 5,678,286	\$ 4,739,230	\$ 867,353	\$ 20,456,413	\$ 43,523,424

Table 3

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ 2,145,977	\$ 1,305,385	\$ 1,085,023	\$ 1,146,496						
Unreserved	10,681,284	10,508,586	9,484,371	10,168,180						
Total General Fund	<u>\$ 12,827,261</u>	<u>\$ 11,813,971</u>	<u>\$ 10,569,394</u>	<u>\$ 11,314,676</u>						
All other governmental funds:										
Reserved	\$ 3,553,176	\$ 1,116,638	\$ 55,109	\$ 35,436						
Unreserved, reported in:										
Special Revenue Funds	221,901	228,810	157,004	346,795						
Capital Projects Funds	15,342,304	12,321,255	20,995,610	22,131,546						
Total all other Governmental funds	<u>\$ 19,117,381</u>	<u>\$ 13,666,703</u>	<u>\$ 21,207,723</u>	<u>\$ 22,513,777</u>						
General Fund:										
Nonspendable					\$ 352,873	\$ 484,090	\$ 507,710	\$ 506,019	\$ 463,095	\$ 61,714
Restricted					-	-	-	-	-	-
Committed					-	-	-	-	-	887,776
Assigned					7,433,145	7,185,036	7,185,036	7,577,377	8,129,327	7,000,776
Unassigned					4,355,131	4,084,446	6,110,082	3,294,763	2,231,581	6,620,773
Total General Fund					<u>\$ 12,141,149</u>	<u>\$ 11,753,572</u>	<u>\$ 13,802,828</u>	<u>\$ 11,378,159</u>	<u>\$ 10,824,003</u>	<u>\$ 14,571,039</u>
All other Governmental funds:										
Nonspendable					\$ -	\$ -	\$ -	\$ -	\$ 6,199,005	\$ 1,495,273
Restricted					10,098,751	5,789,508	5,789,508	5,789,508	8,941,242	9,775,518
Committed					-	-	-	-	-	-
Assigned					14,338,352	8,694,433	7,758,080	15,633,457	5,290,631	4,113,740
Unassigned					(248)	(247)	-	-	-	-
Total all other Governmental funds					<u>\$ 24,436,855</u>	<u>\$ 14,483,694</u>	<u>\$ 13,547,588</u>	<u>\$ 21,422,965</u>	<u>\$ 20,430,878</u>	<u>\$ 15,384,531</u>

Note: Fiscal years 2007 through 2010 have not been restated per GASB 54.

Table 4

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
General property taxes	\$ 22,262,298	\$ 24,259,295	\$ 22,831,071	\$ 27,157,780	\$ 23,818,310	\$ 23,481,976	\$ 26,459,832	\$ 25,308,595	\$ 29,022,830	\$ 31,060,801
Other local taxes	7,627,538	8,129,734	7,985,593	8,405,033	8,494,183	8,425,201	8,707,937	8,595,179	8,311,898	8,920,395
Permits, privilege fees/regulatory licenses	204,618	206,454	135,509	352,348	31,956	41,144	42,889	105,139	230,893	205,552
Fines and Forfeitures	69,921	155,217	282,130	714,594	1,288,030	1,866,202	1,544,560	1,561,049	1,545,064	1,173,179
Revenue from use of money and property	2,033,562	1,407,833	593,272	349,168	369,081	293,153	275,553	220,657	93,151	121,551
Charges for services	499,070	511,741	501,426	536,670	587,937	680,400	662,134	684,206	746,445	740,875
Miscellaneous	271,236	266,593	167,241	471,399	227,644	1,148,605	2,323,369	2,083,113	1,370,570	1,594,944
Recovered costs	824,000	823,000	872,000	872,000	884,500	884,500	884,500	884,500	382,500	382,500
Intergovernmental	11,603,268	10,583,403	12,657,438	12,096,593	12,485,977	14,502,537	12,491,935	11,938,140	10,751,111	11,837,987
Total revenues	45,395,511	46,343,270	46,025,680	50,955,585	48,187,618	51,323,718	53,392,709	51,380,578	52,454,462	56,037,784
Expenditures:										
General government administration	3,207,029	3,471,465	3,555,998	3,529,854	2,836,083	2,946,336	3,038,151	3,887,357	4,034,781	4,542,624
Judicial administration	1,500,445	1,707,438	1,724,389	1,765,448	1,603,353	1,839,894	1,916,116	2,347,692	2,582,149	2,400,080
Public safety	11,715,197	12,235,866	12,549,248	12,864,356	10,220,079	11,107,197	10,966,050	13,363,832	13,545,791	13,624,877
Public works	3,682,520	4,161,179	4,248,535	3,953,139	3,414,050	3,468,258	3,570,454	3,927,276	4,296,811	4,411,354
Health and welfare	5,198,729	5,577,319	5,673,538	5,470,641	5,514,230	5,442,824	5,154,545	5,259,251	5,465,334	5,772,564
Education	9,800,130	10,507,034	11,045,621	15,691,522	20,957,047	21,060,268	11,102,916	10,787,674	14,301,637	11,408,787
Parks, recreation and cultural	2,255,777	2,302,038	2,300,336	2,083,326	2,080,477	2,273,806	2,114,530	2,165,055	2,246,089	2,275,373
Community development	978,544	1,078,552	1,003,857	1,040,742	793,509	657,839	718,234	889,540	868,628	1,037,926
Nondepartmental	903,500	968,612	864,074	1,025,073	5,075,563	4,866,933	5,153,440	1,056,007	1,563,876	1,284,415
Capital projects	10,846,799	3,823,661	1,837,201	1,098,458	4,167,481	3,552,164	3,003,770	4,190,524	5,618,260	5,105,645
Debt service:										
Principle	2,379,916	2,513,941	3,648,595	1,390,172	4,155,218	1,696,274	2,510,773	5,456,424	2,248,464	3,186,024
Interest	1,980,517	2,975,833	1,610,185	1,793,289	2,779,947	2,752,663	2,964,085	3,052,165	2,655,885	2,123,720
Total expenditures	54,449,103	51,322,938	50,061,577	51,706,020	63,597,037	61,664,456	52,213,064	56,382,797	59,427,705	57,173,389
Excess of revenues over (under) expenditures	(9,053,592)	(4,979,668)	(4,035,897)	(750,435)	(15,409,419)	(10,340,738)	1,179,645	(5,002,219)	(6,973,243)	(1,135,605)
Other financing sources (uses):										
Transfer in	4,369,935	3,636,893	3,401,401	6,199,463	3,986,103	3,493,901	4,688,553	6,663,226	5,601,896	5,217,372
Transfer out	(4,369,935)	(3,636,893)	(3,401,401)	(6,199,463)	(3,986,103)	(3,493,901)	(4,755,048)	(7,070,552)	(5,099,896)	(5,217,372)
Refunding bonds issued	-	18,210,000	2,155,000	-	-	-	-	-	-	-
Bonds issued	-	-	10,000,000	-	17,715,000	-	-	10,860,253	19,210,000	-
Premium on bonds issued	-	-	303,340	2,801,771	80,220	-	-	-	-	-
Refunded bonds redeemed	-	(20,000,000)	(2,126,000)	-	-	-	-	-	(14,285,000)	-
Capital lease proceeds	-	-	-	-	-	-	-	-	-	1,280,852
Interest rate subsidy	-	-	-	-	363,750	-	-	-	-	-
Sale of capital assets	-	1,000,000	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	(790,000)	10,332,340	2,801,771	18,158,970	-	(66,495)	10,452,927	5,427,000	1,280,852
Net change in fund balances	\$ (9,053,592)	\$ (5,769,668)	\$ 6,296,443	\$ 2,051,336	\$ 2,749,551	\$ (10,340,738)	\$ 1,113,150	\$ 5,450,708	\$ (1,546,243)	\$ 145,247
Debt service as a percentage of noncapital expenditures	9.60%	11.10%	10.61%	6.29%	11.77%	7.66%	11.70%	15.70%	9.11%	10.20%

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
2016	\$ 1.13	\$ 1,525,757,500	\$ 3.50	\$ 135,036,571	\$ 3.05	\$ 242,698,071	\$ 383,685,396	\$ 1.47	\$ 2,287,177,538	\$ 2,275,741,650	100.50%
2015	1.13	1,523,579,400	3.50	135,036,571	3.05	229,392,148	366,038,913	1.47	2,254,047,032	2,242,776,797	100.50%
2014	1.08	1,515,543,600	3.50	108,045,354	3.05	175,948,856	351,700,185	1.36	2,151,237,995	2,140,481,805	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	179,114,467	344,749,605	1.33	2,012,707,258	2,002,643,728	100.50%
2010	0.99	1,357,143,000	3.05	128,089,039	3.05	142,657,510	344,073,128	1.27	1,971,962,677	1,932,523,430	102.04%
2009	0.96	1,338,397,100	3.05	113,630,555	3.05	140,866,828	344,073,128	1.23	1,936,967,611	1,898,228,265	102.04%
2008	1.09	1,145,283,664	3.05	127,665,229	3.05	119,046,593	308,044,862	1.37	1,700,412,530	1,649,400,154	103.09%
2007	1.09	1,122,108,000	3.05	124,658,770	3.05	129,341,114	324,304,640	1.38	1,700,412,524	1,683,408,399	101.01%

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.

Table 6

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	
2007	\$ 1.09	\$ 3.05	\$ 3.05	\$ 1.09	\$ 3.05	\$ 1.38
2008	1.09	3.05	3.05	1.09	3.05	1.37
2009	0.96	3.05	3.05	0.96	3.05	1.23
2010	0.99	3.50	3.05	0.99	3.50	1.27
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

(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.

Table 7

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

Taxpayer	Fiscal Year 2016		Fiscal Year 2007	
	2015 Assessed Valuation	% of Total Assessed Valuation	2006 Assessed Valuation	% of Total Assessed Valuation
Virginia Electric & Power Company / Dominion Virginia Power	\$ 137,663,435	6.64%	\$ 44,279,948	2.93%
Honeywell International	127,901,233	6.17%	111,311,315	7.37%
Rock Tenn / Alliance Division (1)	123,881,994	5.97%	74,254,431	4.92%
Columbia HCA / John Randolph Hospital	91,942,630	4.43%	106,910,032	7.08%
Hopewell Cogentric Limited Partnership	81,183,738	3.91%	126,817,509	8.40%
Future Fuels	66,561,608	3.21%	-	0.00%
Ashland, Inc. / Aqualon Company (3)	57,924,969	2.79%	38,203,071	2.53%
Evoniks Industries (2)	46,188,231	2.23%	64,762,185	4.29%
Virginia American Water Company	40,113,770	1.93%	19,122,787	1.27%
James River Genco LLC	27,763,665	1.34%	44,712,820	2.96%
Total of Principal Property Taxpayers	<u>\$ 801,125,273</u>	<u>38.62%</u>	<u>\$ 630,374,098</u>	<u>41.75%</u>
Grand Total of All Taxpayers	<u>\$ 2,074,142,382</u>		<u>\$ 1,509,735,580</u>	

(1) In 2007, Rock Tenn was Stone Container.

(2) In 2007, Evoniks Industries was Goldschmidt Chemical Corp.

(3) In 2007, Ashland, Inc. was Aqualon Company.

Sources: (a) Debra K. Reason, Commissioner of Revenue

(b) Patrizia Waggoner, Real Estate Assessor

Table 8

**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
2016	\$ 29,780,535	\$ 28,194,428	94.67%	\$ -	\$ 28,194,428	94.67%
2015	28,194,700	27,452,021	97.37%	-	27,452,021	97.37%
2014	27,263,306	25,359,477	93.02%	1,626,638	26,986,115	98.98%
2013	25,910,451	25,275,937	97.55%	373,947	25,649,885	98.99%
2012	25,502,328	24,389,663	95.64%	967,556	25,357,218	99.43%
2011	25,806,316	24,573,947	95.22%	1,123,467	25,697,414	99.58%
2010	25,365,543	24,277,032	95.71%	1,050,420	25,327,452	99.85%
2009	25,394,983	21,359,404	84.11%	4,006,409	25,365,813	99.89%
2008	23,544,869	21,035,463	89.34%	2,488,884	23,524,347	99.91%
2007	23,967,262	21,167,844	88.32%	2,784,668	23,952,512	99.94%

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 Bond Premium	Capital Leases			
2016	\$ 57,890,852	\$ 2,073,400	\$ -	\$ 65,154	\$ 1,280,852	\$ 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	-	102,097,935	13.12%	4,519
2014	57,473,287	3,021,800	-	157,886	-	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	-	90,888,979	11.68%	4,023
2012	53,632,083	3,970,200	-	266,938	-	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	-	92,170,109	8.44%	4,080
2010	40,597,744	5,093,600	-	291,206	-	28,580,000	661,103	-	75,223,653	10.14%	3,365
2009	39,329,300	5,821,300	-	303,340	-	11,245,000	-	-	56,698,940	7.73%	2,536
2008	31,342,111	6,559,000	-	-	-	11,735,000	-	-	49,636,111	6.77%	2,220
2007	34,814,452	7,390,000	-	259,485	-	12,200,000	-	-	54,663,937	8.16%	2,445

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)
2016	\$ 60,029,406	\$ -	\$ 60,029,406	2.62%	\$ 2,657
2015	63,229,416	-	63,229,416	2.81%	2,799
2014	60,725,169	-	60,725,169	2.82%	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
2010	45,982,550	4,500,000	41,482,550	2.10%	1,856
2009	45,453,940	4,500,000	40,953,940	2.11%	1,832
2008	37,901,111	4,500,000	33,401,111	1.96%	1,494
2007	42,463,937	4,500,000	37,963,937	2.23%	1,698

(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**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 112,210,800	\$ 114,528,366	\$ 133,839,710	\$ 135,714,300	\$ 135,931,270	\$ 133,076,838	\$ 130,445,020	\$ 133,262,850	\$ 130,418,300	\$ 152,575,750
Total net debt applicable to limit	42,463,937	37,901,111	45,453,940	45,982,550	59,577,629	57,869,221	55,340,021	60,725,169	63,229,416	60,029,406
Legal debt margin	<u>\$ 69,746,863</u>	<u>\$ 76,627,255</u>	<u>\$ 88,385,770</u>	<u>\$ 89,731,750</u>	<u>\$ 76,353,641</u>	<u>\$ 75,207,617</u>	<u>\$ 75,104,999</u>	<u>\$ 72,537,681</u>	<u>\$ 67,188,884</u>	<u>\$ 92,546,344</u>
Total net debt applicable to the limit as a percentage of debt limit	37.84%	33.09%	33.96%	33.88%	43.83%	43.49%	42.42%	45.57%	48.48%	39.34%

Source: Valuation bases were obtained from the Hopewell Real Estate Assessor's office.

(a) Limit set by Virginia Statute.

Legal Debt Margin calculation for Fiscal Year 2016

Assessed value	\$ 1,328,430,100
Add back: exempt real property	197,327,400
Total assessed value	<u>1,525,757,500</u>
Debt limit (10% of total assessed value) (a)	152,575,750
Net debt applicable to limit	60,029,406
Legal debt margin	<u>\$ 92,546,344</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)
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%
2010	22,354	762,550,318	34,112	11.6%
2009	22,354	755,000,314	33,775	10.4%
2008	22,354	733,010,014	32,791	6.0%
2007	22,354	670,307,044	29,986	4.7%

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 2016		Fiscal Year 2007	
	Employees	Rank	Employees	Rank
Honeywell International, Inc.	500 to 999 employees	1	500 to 999 employees	2
Hopewell City School Board	500 to 999 employees	2	500 to 999 employees	1
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	5
E.I. DuPont De Nemours Company	250 to 499 employees	5	250 to 499 employees	4
Alliance Group Rock Tenn	250 to 499 employees	6	250 to 499 employees	7
Metz Division	250 to 499 employees	7	100 to 249 employees	9
Aqualon Company	250 to 499 employees	8	250 to 499 employees	8
Hopewell Operations LLC	100 to 249 employees	9	100 to 249 employees	11
Insulation Specialties	100 to 249 employees	10	100 to 249 employees	10

Source: Virginia Employment Commission

(1) In FY 2007, Alliance Group Rock Tenn was Stone Container Corporation

(2) In FY 2007, Metz Division was Goldschmidt Chemical Corporation.

Table 14

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government:										
City Clerk	1	1	1	1	1	2	1	1	1	1
City Attorney	2	2	2	2	2	2	2	2	2	-
City Manager	3	6	6	6	6	6	7	7	7	9
Finance Department	18	15	15	15	15	15	14	14	14	14
City Treasurer	6	5	5	5	5	5	5	5	5	5
Commissioner of Revenue	6	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	6	5	5	5	5	5	5	5	5	5
Commonwealth Attorney	7	9	9	7	7	7	6	6	6	6
Court Services	4	4	2	2	2	2	3	3	3	3
General District Court	-	-	-	-	-	1	1	1	1	1
Public Safety:										
Sheriff Department	9	9	9	9	9	10	10	10	12	12
Fire & Rescue	43	43	43	46	46	46	45	45	45	47
Building inspections	7	7	7	6	6	6	6	6	6	6
Police Department	73	73	73	76	76	78	81	82	84	82
Animal Control	3	3	3	1	1	1	1	1	2	2
Emergency Services	1	1	1	1	1	1	1	1	1	1
Public Works:										
General Maintenance	39	36	36	34	34	34	34	34	36	36
Landfill	2	2	2	2	2	2	2	2	2	2
Engineering	4	4	4	3	3	3	3	3	3	3
Sewer Services	63	63	64	60	60	60	61	61	61	61
Health & Welfare:										
Department of Social Services	41	41	41	40	40	40	40	40	40	44
Community Services Act	1	1	1	1	1	1	1	1	1	2
Culture and Recreation:										
Parks and Recreation	17	17	17	15	15	15	15	15	15	15
Tourism	1	1	1	1	1	1	1	1	-	-
Community Development	3	3	3	3	3	3	3	3	3	3
Planning	2	2	2	1	1	1	1	1	1	1
Totals	364	362	361	351	351	356	358	359	365	370

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

Table 15

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Police department:										
E911 calls answered	22,906	22,381	19,764	14,101	17,075	17,329	24,655	14,205	19,516	19,701
Animal calls answered	1,847	1,912	1,361	1,856	2,757	3,028	2,818	2,917	2,960	2,712
Physical arrests	1,362	1,233	1,048	1,412	1,753	1,388	1,031	1,394	1,297	1,306
Civil papers										
Fire and rescue:										
Fire calls	1,225	1,232	1,164	3,130	3,430	3,687	3,213	3,352	3,138	3,477
EMS calls	1,993	2,046	1,944	3,557	3,505	3,615	3,545	3,556	1,296	4,001
Building inspections:										
Permits issued (all)	1,535	1,482	2,568	1,783	855	957	957	958	1,029	980
Inspections done (all)	1,264	1,174	2,895	4,607	482	2,560	2,560	2,297	4,007	1,313
Public works										
General maintenance:										
Work orders issued	N/A	2,720	2,002	1,898	1,429	2,346	2,501	3,196	2,688	2,701
Health and welfare										
Department of Social Services:										
Caseload*	8,600	8,436	9,087	10,378	10,707	10,911	10,911	11,446	12,324	8,652
Culture and recreation										
Parks and recreation:										
Community center visits	43,369	55,066	55,046	45,253	57,556	55,565	55,565	59,845	49,167	57,864
Summer program participants	421	425	320	1,058	1,303	N/A	N/A	N/A	223	1,511
Youth sports participants	N/A	4,039	4,627	5,314	4,461	N/A	N/A	2,235	737	711
Community development										
Planning:										
Zoning permits issued	1,142	1,346	1,376	496	218	291	291	539	167	199

Source: Individual city department workload counts.

* Average total case count.

Table 16

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Administration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	6	6	6	6	6	6	6	5	5	7
Public Works										
Vehicles	43	43	43	43	43	43	46	48	48	47
Public Safety										
Police Department:										
Vehicles	61	60	60	60	60	60	60	60	53	55
Sheriff Department:										
Vehicles	11	13	14	14	14	14	16	18	18	19
Fire Department:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Fire trucks	6	6	6	6	6	6	5	5	5	7
Other vehicles	8	8	8	8	8	8	8	8	10	10
Building Inspectors:										
Vehicles	7	7	7	7	7	7	9	10	9	9
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	12	12	12	12
Parks acreage	161	161	161	161	161	161	161	161	161	161
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	14	14	14	14	14	14	14	14	14	14
Ballfields	20	20	20	20	20	20	20	20	20	20
Soccerfields	8	8	8	8	8	8	8	8	8	8

Source: City Fixed Asset System by City departments

COMPLIANCE SECTION

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**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 City Council
City of Hopewell, Virginia**

We were engaged to audit, 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, 2018, 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 October 22, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses. See Finding 2018-01.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 responses as items 2018-01.

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 responses. 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
October 22, 2021

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - FINANCIAL STATEMENT FINDINGS

A. Current Year Findings and Questioned Costs - Financial Statement Findings

Finding 2018-001

City 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.

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

A. Current Year Findings and Questioned Costs - Financial Statement Findings: (Continued)

Finding 2018-001

City and School Board's Finance Organization and Financial Statement Closing Process: (Continued)

Financial Statement Closing Process Assistance

The new City's Finance Director issued and presented to City Management and City Council at the January 9, 2018, Council meeting the Finance Department Turnover Assessment Report. The report highlighted deficiencies and complex issues that the Finance Department had direct responsibility for or shared substantial responsibility with other city departments for the financial health of the City. Also, the report indicated certain actions and resources required going forward to eliminate / remedy the deficiencies and complex issues. Such action and resources included replacing the outside consultants that was assisting the Finance Department with experienced professional local government accounting consultants.

Condition and Context:

City

Cash

Treasurer's 2018 bank reconciliation does not agree with adjusted general ledger and financial statements. The Finance Department professional local government accounting consultants discovered errors in the general ledger for transfers from the consolidated bank accounts to a bond investment account recorded against a liability account. Wire transfer for interest and principal payment on a bond was not recorded in 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.

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

A. Current Year Findings and Questioned Costs - Financial Statement Findings: (Continued)

Finding 2018-001

City and School Board's Finance Organization and Financial Statement Closing Process: (Continued)

Condition and Context: (Continued)

City: (Continued)

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.

Community Development Block Grant (CDBG) Fund

The CDBG Fund expenditures did not reconcile to the drawdowns including a duplicate payment of \$21K to a sub grantee and \$100K in drawdowns in excess of expenditures resulting in noncompliance of federal regulations.

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.

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.

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

A. Current Year Findings and Questioned Costs - Financial Statement Findings: (Continued)

Finding 2018-001

City and School Board's Finance Organization and Financial Statement Closing Process: (Continued)

Condition and Context: (Continued)

City: (Continued)

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. Revenue errors of \$1.4 million recorded by the Treasurer, and \$590,000 of expenditures related errors were recorded by the School Board Finance Department in the operating fund. Additionally, \$400,000 for capital acquisition expenditures were duplicated in the Building and Bus Replacement Fund.

Financial Statements

The School Board Finance Department presented multiple versions of the initial financial statement templates that did not reconcile revenues and receivables to the general ledger.

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

A. Current Year Findings and Questioned Costs - Financial Statement Findings: (Continued)

Finding 2018-001

City and School Board's Finance Organization and Financial Statement Closing Process: (Continued)

Condition and Context: (Continued)

School Board: (Continued)

General ledger/ Trial Balance

The accounting system design lacked the ability to provide detailed and summary information to directly support the financial statements assertions. The School Board Finance Department had to manually prepare cash basis trial balances, cash to accrual adjustments, and final adjusted trial balances supporting the financial statements. The process resulted in numerous errors in cash balances and accruals and material restatements of the prior year financial statements. Additionally, the process was not completed until April 2021, 2 years and 10 months after the year end.

Unauthorized and Unfunded Capital Expenditures

The School Board expended \$1.5 million in capital outlay in the Building and Bus Replacement Fund funded from cash due back to the City without City Authorization. The School Board budgeted the capital outlay without proper authorizations.

Budgetary Process

The School Board has consistently over budgeted the operating fund expenditures. For the fiscal year 2018 the appropriations were over budgeted by \$2.1 million, 4.5% of the expenditures. As of the end of fiscal year the School Board has an outstanding balance due to the City of \$5.9 million.

Cause

City

Cash

Treasurer's reconciliation process was and is not performed in a timely manner to prevent or detect errors. Processes for the bond payments recorded through journals entries lack appropriate understanding and review process to insure accuracy between Treasurer and Finance Department. 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.

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

A. Current Year Findings and Questioned Costs - Financial Statement Findings: (Continued)

Finding 2018-001

City and School Board's Finance Organization and Financial Statement Closing Process: (Continued)

Cause: (Continued)

City: (Continued)

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

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

Community Development Block Grant (CDBG) Fund

The Planning Department did not dedicate adequate resources to monitor the general ledger transactions. Additionally, the internal controls over monitoring the CDBG grants financial transactions were not performed after the implementation of MUNIS.

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

A. Current Year Findings and Questioned Costs - Financial Statement Findings: (Continued)

Finding 2018-001

City and School Board's Finance Organization and Financial Statement Closing Process: (Continued)

Cause: (Continued)

City: (Continued)

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.

Payroll liabilities

The initial cause was a Munis implementation error. The prior accounting for payroll was outsourced and recorded by journal entries. During the Munis implementation this was not considered at the appropriate systemic process and was not implemented. The monitoring of the general ledger would have discovered the error within the first months of payroll processes but was not discovered until 2019. The payroll process is maintained in the Finance Department who's staff did not receive adequate training and the supervisory level staff did not have skill, knowledge and experience to develop policies, procedures and training over the payroll process implementation and monitoring the general ledger.

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.

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

A. Current Year Findings and Questioned Costs - Financial Statement Findings: (Continued)

Finding 2018-001

City and School Board's Finance Organization and Financial Statement Closing Process: (Continued)

Cause: (Continued)

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. The staff did not possess the appropriate skill, knowledge and experience to prevent or detect the errors.

Financial Statements

The Staff of the School Board Finance Department lacked the skill, knowledge and experience to accurately prepare the financial statements.

General ledger/ Trial Balance

The Staff of the School Board Finance Department lacked the skill, knowledge and experience to maintain accurate and timely financial data within their accounting system.

Unauthorized and Unfunded Capital Expenditures

The Staff of the School Finance Department lacked the skill, knowledge and experience to comply with laws and regulations. City's capital acquisition policies and procedures related to funding School's capital acquisition were not considered.

Budgetary Process

The Staff of the School Board Finance department the lacked the skill, knowledge and experience to accurately prepare annual operating budgets.

Effect

City

Cash

Significant delays in completion of the audit through the lack of response to the resolution of the differences between the general ledger and bank reconciliations resulting in a financial statement disclaimer.

Investments

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

A. Current Year Findings and Questioned Costs - Financial Statement Findings: (Continued)

Finding 2018-001

City and School Board's Finance Organization and Financial Statement Closing Process: (Continued)

Effect: (Continued)

City: (Continued)

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

Accounts receivables and revenues were not auditable and resulted in a disclaimer on the proprietary funds and misstatement of the financial statements. Inaccurate financial information limits management's ability to manage the City's resources.

Due from other governments-City/CSA

Community Development Block Grant (CDBG) Fund

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.

Capital Projects Funds

Payroll liabilities

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

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.

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

B. Current Year Findings and Questioned Costs - Financial Statement Findings: (Continued)

Finding 2018-001

City and School Board's Finance Organization and Financial Statement Closing Process: (Continued)

Effect: (Continued)

City: (Continued)

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.

School Board

Cash

Financial Statements

General ledger/ Trial Balance

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. Significant hours were required to analyze and create entries to correct the errors. Significant delays in providing accurate financial information delayed the completion of the audit of the City's 2018 Financial Statements.

Unauthorized and Unfunded Capital Expenditures

Material violation of laws and regulations were incurred, the circumvention of the City's role in funding capital acquisition with local funds and a significant deficit in the Building and School Board Replacement Fund.

Budgetary Process

The operating budget exceeded actual expenditures by approximately \$2 million which resulted in the City budgeting local share requirements higher than needed therefore created a burden on the City's taxpayers.

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.

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

A. Current Year Findings and Questioned Costs - Financial Statement Findings: (Continued)

Finding 2018-001

City and School Board's Finance Organization and Financial Statement Closing Process: (Continued)

Effect: (Continued)

School Board: (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.

SECTION II - MANAGEMENT'S RESPONSE TO FINANCIAL STATEMENT FINDINGS:

MANAGEMENT'S RESPONSES - CITY

The City's management concur with the auditor's finding and recommendation.

MANAGEMENT'S RESPONSES - TREASURER

The Treasurer concurs with the auditor's finding and recommendation.

However, it should be noted due to staff turnover, minimal documented procedures/guidelines and receiving timely information from Schools impacted the timeliness of performing cash reconciliations. Currently, to improve the timeliness of performing the reconciliation, the Treasurer's Office has dedicated a full-time resource to the task of reconciling cash, as well as, refining and communicating monthly procedures to be jointly followed by both the Treasurer's Office and School Board staff.

MANAGEMENT'S RESPONSES - SCHOOL BOARD

1. Cash - Revenue errors of \$1.4 million were recorded by the Treasurer, and \$590,000 of expenditure related errors were recorded by the School Board Finance Department in the operating fund. Additionally, \$400,000 for capital acquisition expenditures were duplicated in the Building and Bus Replacement Fund.

Management Response: The School Board management *concurs* with the auditor's finding and recommendation.

The School Board is developing a corrective action plan. This plan will include addressing the 2019, 2020, and 2021 financial statement preparation to be available for audit. Inclusive in the plan will be a proposed design and implementation of internal controls over financial reporting that will enable the School Board to generate complete, accurate, and timely financial statements.

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II - MANAGEMENT'S RESPONSE TO FINANCIAL STATEMENT FINDINGS: (CONTINUED)

MANAGEMENT'S RESPONSES - SCHOOL BOARD: (CONTINUED)

- 2. Financial Statements - The School Board Finance Department presented multiple versions of the initial financial statement templates that did not reconcile revenues and receivables to the general ledger.**

Management Response: The School Board management *concur*s with the auditor's finding and recommendation.

The School Board is developing a corrective action plan. This plan will include addressing the 2019, 2020, and 2021 financial statement preparation to be available for audit. Inclusive in the plan will be a proposed design and implementation of internal controls over financial reporting that will enable the School Board to generate complete, accurate, and timely financial statements.

- 3. General Ledger/Trial Balance - The accounting system design lacked the ability to provide detailed and summary information to directly support the financial statement assertions. The School Board Finance Department had to manually prepare cash basis trial balances, cash to accrual adjustments, and final adjusted trial balances supporting the financial statements. The process resulted in numerous errors in cash balances and accruals and material restatements of prior year financial statements. Additionally, the process was not completed until April 2021, 2 years and 10 months after the year end.**

Management Response: The School Board management *concur*s with the auditor's finding and recommendation.

The School Board is developing a corrective action plan. This plan will include addressing the 2019, 2020, and 2021 financial statement preparation to be available for audit. Inclusive in the plan will be a proposed design and implementation of internal controls over financial reporting that will enable the School Board to generate complete, accurate, and timely financial statements.

- 4. Unauthorized and Unfunded Capital Expenditures - The School Board expended \$1.5 million in capital outlay in the Building and Bus Replacement Fund funded from cash due back to the City without City Authorization. The School Board budgeted the capital outlay without proper authorizations.**

Management Response: The School Board management concur with the auditor's finding and recommendation.

The School Board's intent was not to expend \$1.5 million in capital outlay from the Building and Bus Replacement Fund established from cash due back to the City without authorization. It was also not the intent of the board to budget capital outlay without proper authorization. Through a combination of historical / prior practices between the City Council and Hopewell City School Board as well as management and staff turnover by both entities, an unintentional lapse of compliance with operating policies, as well as, the Code of Virginia (Title 22.1-100) occurred. Currently, the City Council and School Board through joint and cooperative efforts execute the prescribed process as stated in the Code of Virginia, and all local funds unexpended as of the fiscal year-end are returned to City Council. Moving forward, after reversion of local funds to City Council, the School Board will request a reappropriation of the unexpended local funds by the City Council.

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II - MANAGEMENT'S RESPONSE TO FINANCIAL STATEMENT FINDINGS: (CONTINUED)

MANAGEMENT'S RESPONSES - SCHOOL BOARD: (CONTINUED)

5. Budgetary Process - The School Board has consistently over budgeted the operating fund expenditures. For the fiscal year 2018 the appropriations were over budgeted by \$2.1 million, 4.5% of the expenditures. As of the end of fiscal year the School Board has an outstanding balance due to the City of \$5.9 million.

Management Response: The School Board management concur with the auditor's finding and recommendation.

The School Board has never intentionally over budgeted operating fund expenditures. On an annual basis, a thorough budget review and projection is performed and a budget request, based upon the needs of the school district is presented to City Council. The School Board management response to Finding Number Four indicated historical/prior practices combined with significant turnover of management and staff by both entities. While the board now recognizes there was an unintentional lapse in adherence to operating policies and the Code of Virginia, the School Board and City Council have realigned the annual budget development process moving forward. Both entities will now account for and agree upon what is deemed budgetarily responsible to appropriate local funds sufficient to support the School Board's goals and objectives.

CITY OF HOPEWELL, VIRGINIA
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**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 City Council
City of Hopewell, Virginia**

We were engaged to audit, 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, 2018, 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 October 22, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses. See Finding 2018-01.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 responses as items 2018-01.

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

October 22, 2021, except for additional procedures associated with sufficient audit evidence regarding the fair presentation of the Schedule of Expenditures of Federal Awards, as to which the date is February 2, 2022



**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, VIRGINIA
HOPEWELL, VIRGINIA**

Report on Compliance for Each Major Federal Program

We have audited 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 City of Hopewell, Virginia's major federal programs for the year ended June 30, 2018. 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 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 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 City of Hopewell, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2018.

Report on Internal Control over Compliance

Management of 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 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 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We were engaged to audit the financial statements of the governmental activities, the business-type activities, the 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated October 22, 2021, which contained disclaimer of opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying 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 not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matters disclosed in the auditor's report, it is inappropriate to, and we do not, express an opinion on the supplementary information.

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
February 2, 2022

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT
 FOR THE YEAR ENDED JUNE 30, 2018

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	\$ 187,903
Department of Education:			
National School Lunch Program	10.555/2017/2018	10.555	1,698,102
Total 10.555			\$ 1,886,005
School Breakfast Program	10.553/2017/2018	10.553	708,555
Total Child Nutrition Cluster			\$ 2,594,560
Department of Social Services:			
SNAP Cluster:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	0010111/0010112/0040111/0040112	10.561	\$ 532,494
Total Department of Agriculture			\$ 3,127,054
Department of Defense:			
<u>Direct Payments:</u>			
JROTC	N/A	12.000	\$ 72,237
Total Department of Defense			\$ 72,237
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	\$ 155,126
Total Department of Housing and Urban Development			\$ 155,126
Department of Justice:			
<u>Pass Through Payments:</u>			
Department of Justice			
Crime Victim Assistance	unavailable	16.575	\$ 174,196
Total Department of Justice			\$ 174,196
Department of Transportation:			
<u>Pass Through Payments:</u>			
Virginia Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	OP1656326	20.600	\$ 13,509
Total Department of Transportation			\$ 13,509
Environmental Protection Agency:			
<u>Direct Payments:</u>			
Brownfields Assessment and Cleanup Cooperative Agreements	N/A	66.818	\$ 87,038
Total Environmental Protection Agency			\$ 87,038

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT
 FOR THE YEAR ENDED JUNE 30, 2018 (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	\$ 13,717
<u>Pass Through Payments:</u>			
Department of Education:			
Title I Grants to Local Educational Agencies	S010A120046/S011A130046	84.010	\$ 1,783,022
Special Education Cluster:			
Special Education - Grants to States	H027A120107/H027A130107	84.027	\$ 902,372
Special Education - Preschool Grants	H173A120112/H173A130112	84.173	22,312
Total Special Education Cluster			\$ 924,684
Career and Technical Education - Basic Grants to States	V048A120046/V048A130046	84.048	96,002
Twenty-First Century Community Learning Centers	unavailable	84.287	293,997
English Language Acquisition State Grants	T365A120046	84.365	8,921
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	S367A110044/S367A120044	84.367	216,552
Student Support and Academic Enrichment Program	N/A	84.424	33,771
Total Department of Education			\$ 3,370,666
Department of Health and Human Services:			
<u>Direct Payments:</u>			
Head Start	N/A	93.600	\$ 1,355,242
<u>Pass Through Payments:</u>			
Department of Social Services:			
Promoting Safe and Stable Families	950112	93.556	\$ 11,037
TANF Cluster:			
Temporary Assistance for Needy Families	0400111/0400112	93.558	456,597
Refugee and Entrant Assistance State/Replacement Designee			
Administered Programs	0500110/0500111	93.566	586
Low-Income Home Energy Assistance	0600411/0600412	93.568	53,726
Child Care and Development Fund Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	0760111/0760112	93.596	63,806
Adoption and Legal Guardianship Incentive Payments	9160109	93.603	1,876
Stephanie Tubbs Jones Child Welfare Services Program	0900111/0900112	93.645	1,253
Foster Care-Title IV-E	1100111/1100112	93.658	312,582
Adoption Assistance	1120111/1120112	93.659	309,374
Social Services Block Grant	1000110/1000111	93.667	339,207
Chafee Foster Care Independence Program	9150111/9150112	93.674	4,105
Children's Health Insurance Program	0540111/0540112	93.767	19,677
Medicaid Cluster:			
Medical Assistance Program	1200111/1200112	93.778	540,863
Total Department of Social Services			\$ 2,114,689
Total Department of Health and Human Services			\$ 3,469,931
Department of Homeland Security:			
<u>Pass Through Payments:</u>			
Virginia Department of Emergency Services:			
Emergency Management Performance Grants	unavailable	97.042	\$ 42,959
State Homeland Security Grant Program	unavailable	97.067	127,835
Total Department of Homeland Security			\$ 170,794
TOTAL EXPENDITURES OF FEDERAL AWARDS - REPORTING ENTITY			\$ 10,640,551

CITY OF HOPEWELL, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. 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	\$ 445,537
Virginia Public Assistance Fund	2,579,923
Capital Projects Fund	589,377
Nonmajor Funds	155,126

Total primary government	\$ 3,769,963
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Component Unit School Board:

School Operating Fund	\$ 5,330,144
School Cafeteria Fund	2,601,892
Total component unit school board	\$ 7,932,036

Component Unit - Children's Services Act Board	\$ 67,259
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Total federal expenditures per basic financial statements	\$ 11,769,258
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Medicaid charges for services - School Board	\$ (531,999)
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Federal interest subsidy	\$ (589,377)
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School food difference	\$ (7,331)
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 10,640,551
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CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	Disclaimer
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
10.553/10.555	Child Nutrition Cluster
93.600	Head Start

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, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2018-001 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.

Financial Statement Closing Process Assistance

The new City's Finance Director issued and presented to City Management and City Council at the January 9, 2018 Council meeting the Finance Department Turnover Assessment Report. The report highlighted deficiencies and complex issues that the Finance Department had direct responsibility for or shared substantial responsibility with other city departments for the financial health of the City. Also, the report indicated certain actions and resources required going forward to eliminate / remedy the deficiencies and complex issues. Such action and resources included replacing the outside consultants that was assisting the Finance Department with experienced professional local government accounting consultants.

CITY OF HOPEWELL, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Condition and Context:

City

Cash

Treasurer's 2018 bank reconciliation does not agree with adjusted general ledger and financial statements. The Finance Department professional local government accounting consultants discovered errors in the general ledger for transfers from the consolidated bank accounts to a bond investment account recorded against a liability account. Wire transfer for interest and principal payment on a bond was not recorded in 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.

Community Development Block Grant (CDBG) Fund

The CDBG Fund expenditures did not reconcile to the drawdowns including a duplicate payment of \$21K to a sub grantee and \$100K in drawdowns in excess of expenditures resulting in noncompliance of federal regulations.

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, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Condition and Context: (Continued)

City: (Continued)

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. Revenue errors of \$1.4 million recorded by the Treasurer, and \$590,000 of expenditures related errors were recorded by the School Board Finance Department in the operating fund. Additionally, \$400,000 for capital acquisition expenditures were duplicated in the Building and Bus Replacement Fund.

Financial Statements

The School Board Department Finance Department presented multiple versions of the initial financial statement templates that did not reconcile revenues and receivables to the general ledger.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Condition and Context: (Continued)

School Board: (Continued)

General ledger/ Trial Balance

The accounting system design lacked the ability to provide detailed and summary information to directly support the financial statements assertions. The School Board Finance Department had to manually prepare cash basis trial balances, cash to accrual adjustments, and final adjusted trial balances supporting the financial statements. The process resulted in numerous errors in cash balances and accruals and material restatements of the prior year financial statements. Additionally, the process was not completed until April 2021, 2 years and 10 months after the year end.

Unauthorized and Unfunded Capital Expenditures

The School Board expended \$1.5 million in capital outlay in the Building and Bus Replacement Fund funded from cash due back to the City without City Authorization. The School Board budgeted the capital outlay without proper authorizations.

Budgetary Process

The School Board has consistently over budgeted the operating fund expenditures. For the fiscal year 2018 the appropriations were over budgeted by \$2.1 million, 4.5% of the expenditures. As of the end of fiscal year the School Board has an outstanding balance due to the City of \$5.9 million.

Cause

City:

Cash

Treasurer's reconciliation process was and is not performed in a timely manner to prevent or detect errors. Processes for the bond payments recorded through journals entries lack appropriate understanding and review process to insure accuracy between Treasurer and Finance Department. 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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Cause: (Continued)

City: (Continued)

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.

Community Development Block Grant (CDBG) Fund

The Planning Department did not dedicate adequate resources to monitor the general ledger transactions. Additionally, the internal controls over monitoring the CDBG grants financial transactions were not performed after the implementation of MUNIS.

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.

Payroll liabilities

The initial cause was a Munis implementation error. The prior accounting for payroll was outsourced and recorded by journal entries. During the Munis implementation this was not considered at the appropriate systemic process and was not implemented. The monitoring of the general ledger would have discovered the error within the first months of payroll processes but was not discovered until 2019. The payroll process is maintained in the Finance Department who's staff did not receive adequate training and the supervisory level staff did not have skill, knowledge and experience to develop policies, procedures and training over the payroll process implementation and monitoring the general ledger.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

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. The staff did not possess the appropriate skill, knowledge and experience to prevent or detect the errors.

Financial Statements

The Staff of the School Board Finance Department lacked the skill, knowledge and experience to accurately prepare the financial statements.

General ledger/ Trial Balance

The Staff of the School Board Finance Department lacked the skill, knowledge and experience to maintain accurate and timely financial data within their accounting system.

Unauthorized and Unfunded Capital Expenditures

The Staff of the School Finance Department lacked the skill, knowledge and experience to comply with laws and regulations. City's capital acquisition policies and procedures related to funding School's capital acquisition were not considered.

Budgetary Process

The Staff of the School Board Finance department the lacked the skill, knowledge and experience to accurately prepare annual operating budgets.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Effect

City

Cash

Significant delays in completion of the audit through the lack of response to the resolution of the differences between the general ledger and bank reconciliations resulting in a financial statement disclaimer.

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

Accounts receivables and revenues were not auditable and resulted in a disclaimer on the proprietary funds and misstatement of the financial statements. Inaccurate financial information limits management's ability to manage the City's resources.

Due from other governments -City/CSA

Community Development Block Grant (CDBG) Fund

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.

Capital Projects Funds

Payroll liabilities

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

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, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS: (CONTINUED)

Effect: (Continued)

School Board

Cash

Financial Statements

General ledger/ Trial Balance

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. Significant hours were required to analyze and create entries to correct the errors. Significant delays in providing accurate financial information delayed the completion of the audit of the City's 2018 Financial Statements.

Unauthorized and Unfunded Capital Expenditures

Material violation of laws and regulations were incurred, the circumvention of the City's role in funding capital acquisition with local funds and a significant deficit in the Building and School Board Replacement Fund.

Budgetary Process

The operating budget exceeded actual expenditures by approximately \$2 million which resulted in the City budgeting local share requirements higher than needed therefore created a burden on the City's taxpayers.

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.

CITY OF HOPEWELL, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS IN INTERNAL CONTROL

2017-001: Material Weakness Due to Lack of Timely Reconciliations, Lack of Adequate Year End Close Procedures and Lack of Adequate Internal Controls over Budget Transfers

Condition/Context:

During the fiscal year 2017 audit and financial reporting processes, multiple instances were identified where the complete and accurate recording of financial transactions within the general ledger did not occur including (but not limited to) the following:

- The City and School Board were unable to reconcile the City and School Board's cash and investments balances with financial institutions to the balance per the general ledger at June 30, 2017 until December 2017.
- The City has been unable to reconcile customer accounts receivable from the billing software to the balance per the general ledger for the Storm Water, Solid Waste, and Sewer Service funds.
- The City was unable to reconcile the City's property taxes receivables to the balance per the general ledger at June 30, 2017 until May 2018.
- Funding receipts from the Commonwealth of Virginia to the City was not reconciled to the general ledger at June 30, 2017, to verify accuracy and completeness of the transactions, until May 2018.
- Other receivables, capital asset, accounts payable and other accrued liability balances were also not reconciled timely to subsidiary records.
- Over 50 journal entries were made to the trial balance provided for audit.
- Budget transfers sampled for testing lacked adequate support and approval in accordance with City policy.
- Financial information was not accumulated to allow for required CAFR disclosure in accordance with GAAP, specifically significant contractual commitments

Recommendation:

The City should ensure finance staff have adequate technical skills or training to perform their accounting functions accurately and timely. We recommend increasing levels of oversight over budget transfers and to ensure reconciliations are performed timely and formal year end close procedures are documented and followed to support the existence, completeness, accuracy, valuation, and disclosure of all assets and liabilities, revenues, expenditures/expenses, and significant contractual commitments reported in the City's CAFR.

Current Status:

See finding 2018-001

CITY OF HOPEWELL, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

MATERIAL WEAKNESS IN INTERNAL CONTROL: (CONTINUED)

2017-002: Material Weakness Due to Material Audit Adjustments and Restatements

Condition/Context:

Upon auditing the year-end balances of the City and School Board, there were instances of material adjustments identified, including entries to restate prior periods. An audit adjustment was identified to correct the School Board's cash balance. Entries were also required to restate prior periods for the following:

City:

Business-Type Activities:

- Hopewell Regional Wastewater Treatment Facilities Fund (HRWTF) – Correct prior year accounts receivable and revenue
- Sewer Service Fund – Correct prior year accounts receivable and revenue
- Solid Waste Fund – Correct prior year accounts receivable and revenue
- Storm Water Fund – Correct prior year accounts receivable and revenue

Recommendation:

The City and School Board should ensure finance staff have adequate technical skills or training to perform their accounting functions accurately and timely. We recommend the City and School Board increase levels of oversight over maintaining accurate account balances.

Current Status:

See finding 2018-001

2017-003: Material Weakness Due to Lack of Accurate Supporting Records (Disclaimer of Opinions)

Condition:

Upon auditing the year-end balances of the City, City personnel was unable to provide sufficient audit documentation to support the amounts recorded on the City's financial statements for its Business-Type Activities, including the Sewer Service Fund, Solid Waste Fund, Storm Water Fund and Beacon Theatre Fund.

Recommendation:

The City should ensure finance staff have adequate technical skills or training to perform their accounting functions accurately and timely. The City Finance Department and staff of the Sewer Service Fund, Solid Waste Fund, and Storm Water Fund should review and update existing policies and procedures over the billing and accounting functions of the Sewer Service Fund, Solid Waste Fund, Storm Water Fund, and Beacon Theatre Fund to ensure accurate reconciliations are performed timely between the general ledger, bank statements, and the third party bookkeeping entity for Beacon Theatre and third party collections agent for the Sewer Service Fund, Solid Waste Fund, and the Storm Water Fund. The City should also increase levels of oversight and monitoring over the financial activity of these funds as well.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

MATERIAL WEAKNESS IN INTERNAL CONTROL: (CONTINUED)

2017-003: Material Weakness Due to Lack of Accurate Supporting Records (Disclaimer of Opinions): (Continued)

Current Status:

See finding 2018-001

2017-004: Material Weakness Due to Lack of Management Contract for Beacon Theatre

Condition/Context:

City personnel and the Beacon Theatre third-party management company were unable to provide adequate supporting documentation to support the amounts reported in the financial statements as prepared by the third-party management company. Furthermore, City personnel was unable to provide a signed contract between the City and the third-party management company detailing the services to be provided and any fees associated with these services. It was noted that City oversight of Beacon Theatre's operations and subsequent recordation of this activity was not occurring on a routine and ongoing basis.

Recommendation:

We recommend the City obtain a copy of the most recent contract between the City and the third-party management company. This contract should be reviewed and analyzed and the results of this analysis should be compared to the accounting records to ensure there are no monies due to the City. If the City is unable to locate a current contract, a new management contract should be executed. Additionally, we recommend the City establish a set of policies and procedures governing the City's oversight of Beacon Theatre's operations and the accurate recording of the financial activity on a recurring basis.

Current Status:

See finding 2018-001

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

MATERIAL WEAKNESS IN INTERNAL CONTROL: (CONTINUED)

2017-005: Material Weakness Due to Lack of Segregation of Duties and System Based Logical Access Controls

Condition/Context:

The City implemented MUNIS in September 2014. It was noted that the City does not maintain proper segregation of duties over security, administration, and end user access to the financial application and database. Specifically, the City's Database Administrator has access to administer security within the MUNIS application, as well as being the administrator over the MUNIS database. Additionally, other end users of financial applications, including the Director of Finance, also have administrative permissions. These permissions could result in users having inappropriate access. It was noted that the City does not perform a periodic review of access privileges to the MUNIS application. Access privileges to the MUNIS application should be periodically reviewed by the users' management to verify that the level of access still accurately reflects the minimum level required for the user to perform their job function and accurately reflects an appropriate level of segregation of duties within logical access.

Recommendation:

We recommend the City:

- A. Segregate users with the ability to administer security to the financial application from users with the ability to administer the financial application's database. In addition, the City should segregate access for users with the ability to administer security to the financial application from those with end user capabilities to the financial application. If access cannot be segregated, a mitigating control should be implemented to log all security changes made by the personnel and be periodically reviewed by an independent group.
- B. Perform scheduled periodic reviews of user access for the MUNIS application on an annual basis in order to identify unauthorized/inappropriate access based on job function, as well as to identify any terminated users who have remained active in the application. These reviews should be documented and changes identified during the access review should be processed in accordance with the access provisioning procedures.
- C. Revise the current network settings for password length and account lockout threshold to the industry best practices of eight characters in length and three invalid attempts, respectively.
- D. Review procedures over journal entries and modify as necessary to ensure adequate segregation of duties.

Current Status:

This finding is not present in the current year

CITY OF HOPEWELL, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

MATERIAL WEAKNESS IN INTERNAL CONTROL: (CONTINUED)

2017-006: Material Weakness Due to Untimely Social Services LASER Reconciliations to the General Ledger

Condition/Context:

During the fiscal year 2017 audit, it was determined the monthly LASER amounts were not being reconciled to the general ledger. The fiscal year ended 2017 LASER reconciliation was not completed until June 2018.

Recommendation:

We recommend the City and Department of Social Services implement procedures to ensure compliance with the specifications of the APA and perform timely LASER reconciliations to the general ledger.

Current Status:

This finding is not present in the current year

2017-007: Material Weakness Due to Lack of Debt Management Procedures

Condition/Context:

The City has unspent bond proceeds invested in the Virginia State Non- Arbitrage Program (SNAP) and is not reconciling the SNAP investment accounts to capital project activity; therefore, drawdowns of the bond proceeds are not occurring timely. Capital expenditures incurred are initially being paid for using operating funds instead of immediately from corresponding bond proceeds.

Recommendation:

We recommend the City implement debt management procedures, reconcile bond proceeds to capital expenditure activity.

Current Status:

See finding 2018-001

CITY OF HOPEWELL, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

MATERIAL WEAKNESS IN INTERNAL CONTROL: (CONTINUED)

2017-008: Material Weakness in Children's Services Act Allowability and Eligibility Procedures

Condition/Context:

Of the 60 pool disbursement transactions selected for testing, the approved amount of the transaction exceeded the amount per Individual and Family Service Plan for five transactions. Pervasive to all transactions tested, purchase orders were not created or approved until after the date the service was provided. Known fraudulent activity occurred prior to fiscal year 2016, resulting in a special state review conducted on activity from 2013-2015 and a return of funds to the state.

Recommendation:

All purchases need to be reviewed for proper procurement procedures prior to committing funds. Increased levels of oversight, review, and monitoring should occur to ensure compliance with Virginia law and CSA policy.

Current Status:

This finding is not present in the current year

COMPLIANCE FINDINGS

2017-009: Untimely Social Services LASER Reconciliations to the General Ledger

Condition/Context:

During the fiscal year 2017 audit, it was determined the monthly LASER amounts were not being reconciled to the general ledger. The fiscal year ended 2017 LASER reconciliation was not completed until June 2018.

Recommendation:

We recommend the City and Department of Social Services implement procedures to ensure compliance with the specifications of the APA and perform timely LASER reconciliations to the general ledger.

Current Status:

This finding is not present in the current year

CITY OF HOPEWELL, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

COMPLIANCE FINDINGS: (CONTINUED)

2017-010: Commonwealth of Virginia Yearly Financial Reporting

Condition/Context:

The City did not submit its audited financial report to the APA by the required date.

Recommendation:

The City should implement corrective action aimed at enhancing internal controls to ensure that financial reporting is made in accordance with Section 15.2-2510 of the *Code of Virginia*.

Current Status:

See finding 2018-001

2017-011: Children's Services Act Allowability and Eligibility Procedures

Condition/Context:

Of the 60 pool disbursement transactions selected for testing, the approved amount of the transaction exceeded the amount per Individual and Family Service Plan for five transactions. Pervasive to all transactions tested, purchase orders were not created or approved until after the date the service was provided. Known fraudulent activity occurred prior to fiscal year 2016, resulting in a special state review conducted on activity from 2013-2015 and a return of funds to the state.

Recommendation:

All purchases need to be reviewed for proper procurement procedures prior to committing funds. Increased levels of oversight, review, and monitoring should occur to ensure compliance with Virginia law and CSA policy.

Current Status:

This finding is not present in the current year.

CITY OF HOPEWELL, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

COMPLIANCE FINDINGS: (CONTINUED)

2017-012: Noncompliance with Debt Covenants

Condition/Context:

The City did not provide audited or unaudited financial reports by the deadlines required by the debt covenants. Also, the City did not monitor debt service reserve accounts to ensure compliance with the requirements.

Recommendation:

We recommend increased levels of oversight and monitoring of all debt covenant requirements.

Current Status:

This finding is not present in the current year.

2017-013: Bank Not Identified as a Public Depository and Bank Accounts Not Identified as a Public Deposit

Condition/Context:

Upon auditing cash, it was determined that one of the banks used by the City was not identified as a qualified public depository. Furthermore, three bank accounts containing public monies were not identified individually by the financial institution as public deposits.

Recommendation:

We recommend the Treasurer of the City review all of their accounts and ensure that accounts containing public deposits are properly marked as such. Additionally, the Treasurer of the City should determine with financial institutions that all of the City's public deposits are secured and ensure the financial institutions are included on the Department of the Treasury's listing of qualified depositories.

Current Status:

This finding is not present in the current year.

CITY OF HOPEWELL, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS: (CONTINUED)

COMPLIANCE FINDINGS: (CONTINUED)

2017-014: Lack of Compliance with Sections 15.2-2506 and 58.1-3001 of the Code of Virginia in the City's Virginia Public Assistance Fund and Community Development Block Grant Fund

Condition/Context:

Upon auditing the City's Virginia Public Assistance Fund's and Community Development Block Grant Fund's year-end expenditures compared to their final approved budget, expenditures exceeded the final appropriated budget by a material amount.

Recommendation:

We recommend the City monitor the budget for all funds more closely throughout the year to ensure compliance with the Code of Virginia.

Current Status:

This finding is not present in the current year.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2017-001 Federal Award Finding - Eligibility:

Program: Child Nutrition Cluster (CFDA 10.553/10.555 - USDA)
Federal Award Number: 10.553/10.555
Year: 2017

Condition/Context:

Management of the Component Unit School Board purged the free and reduced lunch applications for the year ended June 30, 2017.

Recommendation:

The Component Unit School Board should retain all grant documentation until all applicable audits have been completed.

Current Status:

This finding is not present in the current year.



City of Hopewell

300 North Main Street
Hopewell, VA 23860

City of Hopewell, Virginia

Corrective Action Plan

Finding Number: 2018-001 City and School Board's Finance Organization and Financial Statement Closing Process

Planned Corrective Action Plan:

- City and School Board will perform an entity wide internal control risk assessment to develop and implement a corrective action plan to address internal control deficiencies stated in Finding Number 2018-001.
- The risk assessment to be performed shall address the systemic environment internal control structure, financial processes, personnel and organizational structure.

Anticipated Completion Date: November 30, 2022

Responsible Contact Person:

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