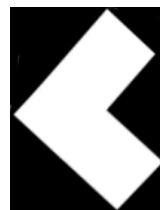


*City of Emporia, Virginia*  
*Comprehensive Annual Financial Report*  
*Year Ended June 30, 2015*



*Creedle, Jones  
& Alga, P.C.*  
*Certified Public Accountants*

## City of Emporia, Virginia

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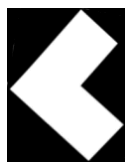
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# FINANCIAL SECTION





**Creedle  
Jones  
& Alga**

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Emporia, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Emporia, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Emporia, Virginia's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Emporia, Virginia, as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-8 and budgetary comparison information, schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer contributions, and notes to required supplemental information on pages 55-63

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Emporia, Virginia's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016, on our consideration of the City of Emporia, 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 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 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 Emporia, Virginia's internal control over financial reporting and compliance.

*Creedle, Jones & Alga, P.C.*

Creedle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
March 21, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Emporia, Virginia presents the following discussion and analysis as an overview of the City of Emporia, Virginia's financial activities for the fiscal year ending June 30, 2015. We encourage readers to read this discussion and analysis in conjunction with the City's basic financial statements.

### Financial Highlights

#### Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$20,416,919. Of this amount, \$11,101,486 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year, general and program revenues of the City's governmental activities were \$18,420,557 and expenses amounted to \$18,286,419. The City's total net position decreased \$1,726,692 after inclusion of changes in reserve for encumbrances and the prior period adjustment for the recognition of pension liability.
- For business-type activities, revenues were \$3,189,008 and expenses were \$3,203,713. The net position decreased by \$476,176 after inclusion of a prior period adjustment to recognize pension liability.

#### Highlights for Fund Financial Statements

- As of June 30, 2015, the City's Governmental Funds reported combined fund balances of \$10,992,621, an increase of \$1,050,647 in comparison with the prior year. Approximately 75.8 percent of the combined fund balances, \$8,338,179 is available to meet the City's current and future needs.
- The General Fund reported a fund balance of \$9,487,729, an increase of \$1,183,970 from June 30, 2014.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Government-Wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those found in the private sector. They also report the City's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the City's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the City's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the City's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the City's property tax base and the condition of City facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the City include general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, and community development. Public utilities represent the business-type activities.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported.

The City has three types 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 remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Housing Authority Fund, all of which are considered to be major funds.

*Proprietary Funds* – The City uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

*Fiduciary Funds* – The City is the trustee, or fiduciary, for the City's agency funds. Agency funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The funds are used to account for monies received, held, and disbursed on behalf of the Emporia Redevelopment and Housing Authority.

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

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

### **Other**

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information such as budgetary comparison schedules.



Governmental accounting and reporting standards also require reporting certain information about the City's other postemployment benefits as required supplementary information. The City has elected to include this information within the notes to the basic financial statements.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Statement of Net Position

The following table reflects the condensed Statement of Net Position:

#### Summary of Net Position

As of June 30, 2015 and 2014

|  | <u>Governmental Activities</u> |                      | <u>Business-Type Activities</u> |                      | <u>Total Government</u> |                      |
|--|--------------------------------|----------------------|---------------------------------|----------------------|-------------------------|----------------------|
|  | <u>2015</u>                    | <u>2014</u>          | <u>2015</u>                     | <u>2014</u>          | <u>2015</u>             | <u>2014</u>          |
| <b>Assets</b>  |                                |                      |                                 |                      |                         |                      |
| Current and other assets   | \$ 12,529,491                  | \$ 11,479,830        | \$ 4,072,441                    | \$ 2,521,025         | \$ 16,601,932           | \$ 14,000,855        |
| Capital assets (net)   | 13,758,006                     | 14,788,071           | 18,835,851                      | 11,545,100           | 32,593,857              | 26,333,171           |
| <b>Deferred Outflows of Resources</b>                              | <u>411,517</u>                 | <u>-</u>             | <u>96,943</u>                   | <u>-</u>             | <u>508,460</u>          | <u>-</u>             |
| Total Assets and Deferred Outflows of Resources                    | <u>\$ 26,699,014</u>           | <u>\$ 26,267,901</u> | <u>\$ 23,005,235</u>            | <u>\$ 14,066,125</u> | <u>\$ 49,704,249</u>    | <u>\$ 40,334,026</u> |
| <b>Liabilities</b>   |                                |                      |                                 |                      |                         |                      |
| Other liabilities  | \$ 1,365,056                   | \$ 1,353,582         | \$ 930,533                      | \$ 538,372           | \$ 2,295,589            | \$ 1,891,954         |
| Long-term liabilities  | 6,685,197                      | 5,585,480            | 19,013,240                      | 10,236,805           | 25,698,437              | 15,822,285           |
| Total Liabilities  | 8,050,253                      | 6,939,062            | 19,943,773                      | 10,775,177           | 27,994,026              | 17,714,239           |
| <b>Deferred Inflows of Resources</b>                               | <u>1,046,614</u>               | <u>-</u>             | <u>246,690</u>                  | <u>-</u>             | <u>1,293,304</u>        | <u>-</u>             |
| <b>Net Position</b>  |                                |                      |                                 |                      |                         |                      |
| Net investment in capital assets                                   | 8,971,518                      | 9,585,252            | 320,707                         | 1,308,295            | 9,292,225               | 10,893,547           |
| Reserved for encumbrances  | 23,208                         | 5,632                | -                               | -                    | 23,208                  | 5,632                |
| Unrestricted   | 8,607,421                      | 9,737,955            | 2,494,065                       | 1,982,653            | 11,101,486              | 11,720,608           |
| Total Net Position   | <u>17,602,147</u>              | <u>19,328,839</u>    | <u>2,814,772</u>                | <u>3,290,948</u>     | <u>20,416,919</u>       | <u>22,619,787</u>    |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 26,699,014</u>           | <u>\$ 26,267,901</u> | <u>\$ 23,005,235</u>            | <u>\$ 14,066,125</u> | <u>\$ 49,704,249</u>    | <u>\$ 40,334,026</u> |

The Commonwealth of Virginia requires that cities, as well as their financial dependent component units, be financed under a single taxing structure. This results in cities issuing debt to finance capital assets, such as infrastructure and governmental buildings. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as a long-term liability and an asset of the City. The net position of the total financial reporting entity best represents the entity's financial position. In the case of the City's reporting entity, assets exceeded liabilities by \$20,416,919 at June 30, 2015. The largest portion of the reporting entity's net position, \$9,292,225 reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition. Net position which is unrestricted totals \$11,101,486.

## Statement of Activities

The following table summarizes revenues and expenses for the primary government:

### Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2015 and 2014

|   | <u>Governmental Activities</u> |                      | <u>Business-Type Activities</u> |                     | <u>Total Government</u> |                      |
|---|--------------------------------|----------------------|---------------------------------|---------------------|-------------------------|----------------------|
|   | <u>2015</u>                    | <u>2014</u>          | <u>2015</u>                     | <u>2014</u>         | <u>2015</u>             | <u>2014</u>          |
| <b>Revenues</b>                           |                                |                      |                                 |                     |                         |                      |
| <b>Program Revenues</b>                   |                                |                      |                                 |                     |                         |                      |
| Charges for services                      | \$ 2,162,727                   | \$ 2,185,908         | \$ 3,174,320                    | \$ 2,942,561        | \$ 5,337,047            | \$ 5,128,469         |
| Operating grants and contributions        | 3,505,277                      | 3,782,357            | -                               | 30,762              | 3,505,277               | 3,813,119            |
| <b>General Revenues</b>                   |                                |                      |                                 |                     |                         |                      |
| General property taxes, real and personal | 4,997,223                      | 4,851,159            | -                               | -                   | 4,997,223               | 4,851,159            |
| Other taxes                               | 6,377,840                      | 5,865,488            | -                               | -                   | 6,377,840               | 5,865,488            |
| Noncategorical aid from state             | 623,043                        | 622,065              | -                               | -                   | 623,043                 | 622,065              |
| Use of property                           | 11,886                         | 1,803                | -                               | -                   | 11,886                  | 1,803                |
| Investment earnings                       | 37,170                         | 44,335               | 5,412                           | 5,952               | 42,582                  | 50,287               |
| Miscellaneous                             | 705,391                        | 530,069              | 9,276                           | 182,017             | 714,667                 | 712,086              |
| <b>Total Revenues</b>                     | <b>18,420,557</b>              | <b>17,883,184</b>    | <b>3,189,008</b>                | <b>3,161,292</b>    | <b>21,609,565</b>       | <b>21,044,476</b>    |
| <b>Expenses</b>                           |                                |                      |                                 |                     |                         |                      |
| General government administration         | 1,700,663                      | 1,594,556            | -                               | -                   | 1,700,663               | 1,594,556            |
| Judicial administration                   | 2,989,479                      | 2,864,483            | -                               | -                   | 2,989,479               | 2,864,483            |
| Public safety                             | 3,935,808                      | 3,691,819            | -                               | -                   | 3,935,808               | 3,691,819            |
| Public works                              | 2,805,254                      | 2,409,765            | -                               | -                   | 2,805,254               | 2,409,765            |
| Health and welfare                        | 455,085                        | 455,787              | -                               | -                   | 455,085                 | 455,787              |
| Education                                 | 4,410,350                      | 4,417,421            | -                               | -                   | 4,410,350               | 4,417,421            |
| Parks, recreation, and cultural           | 272,594                        | 277,105              | -                               | -                   | 272,594                 | 277,105              |
| Community development                     | 1,480,446                      | 1,423,745            | -                               | -                   | 1,480,446               | 1,423,745            |
| Water and sewer                           | -                              | -                    | 2,797,882                       | 2,489,826           | 2,797,882               | 2,489,826            |
| Interest on long-term debt                | 236,740                        | 157,638              | 405,831                         | 322,672             | 642,571                 | 480,310              |
| <b>Total Expenses</b>                     | <b>18,286,419</b>              | <b>17,292,319</b>    | <b>3,203,713</b>                | <b>2,812,498</b>    | <b>21,490,132</b>       | <b>20,104,817</b>    |
| Increase (Decrease) in Net Position       | 134,138                        | 590,865              | (14,705)                        | 348,794             | 119,433                 | 939,659              |
| Beginning Net Position                    | 19,328,839                     | 18,752,955           | 3,290,948                       | 2,942,154           | 22,619,787              | 21,695,109           |
| Change in Reserve for Encumbrances        | 17,575                         | (14,981)             | -                               | -                   | 17,575                  | (14,981)             |
| Prior Period Adjustment                   | (1,878,405)                    | -                    | (461,471)                       | -                   | (2,339,876)             | -                    |
| Ending Net Position                       | <u>\$ 17,602,147</u>           | <u>\$ 19,328,839</u> | <u>\$ 2,814,772</u>             | <u>\$ 3,290,948</u> | <u>\$ 20,416,919</u>    | <u>\$ 22,619,787</u> |

Governmental activities increased the City's net position by \$134,138 for fiscal year 2015. Revenues from governmental activities totaled \$18,420,557. Other taxes comprise the largest source of these revenues, totaling \$6,377,840 or 34.6 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$18,286,419. Education was the City's largest program with expenses totaling \$4,410,350. Public safety, which totals \$3,935,808, represents the second largest expense.

For the City's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

### Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2015 and 2014

|                                   | <u>2015</u>                       |                                 | <u>2014</u>                       |                                 |
|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
|                                   | <u>Total Cost<br/>of Services</u> | <u>Net Cost<br/>of Services</u> | <u>Total Cost<br/>of Services</u> | <u>Net Cost<br/>of Services</u> |
| General government administration | \$ 1,700,663                      | \$ 1,822,363                    | \$ 1,594,556                      | \$ 2,207,266                    |
| Judicial administration           | 2,989,479                         | (1,806,182)                     | 2,864,483                         | (1,687,408)                     |
| Public safety                     | 3,935,808                         | (3,785,433)                     | 3,691,819                         | (3,520,647)                     |
| Public works                      | 2,805,254                         | (1,993,948)                     | 2,409,765                         | (1,591,569)                     |
| Health and welfare                | 455,085                           | (455,085)                       | 455,787                           | (455,787)                       |
| Education                         | 4,410,350                         | (4,410,350)                     | 4,417,421                         | (4,417,421)                     |
| Parks, recreation, and cultural   | 272,594                           | (272,594)                       | 277,105                           | (277,105)                       |
| Community development             | 1,480,446                         | (1,480,446)                     | 1,423,745                         | (1,423,745)                     |
| Interest on long-term debt        | <u>236,740</u>                    | <u>(236,740)</u>                | <u>157,638</u>                    | <u>(157,638)</u>                |
| Total                             | <u>\$ 18,286,419</u>              | <u>\$ (12,618,415)</u>          | <u>\$ 17,292,319</u>              | <u>\$ (11,324,054)</u>          |

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of June 30, 2015, the City's Governmental Funds reported a combined ending fund balance of \$10,992,621. Approximately, 75.8 percent or \$8,338,179 is available for spending at the government's discretion (unassigned fund balance).

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$8,303,135, a restricted fund balance of \$1,161,386, and an assigned balance of \$23,208. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 46.8 percent of total fund expenditures.

### BUDGETARY HIGHLIGHTS

#### General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

## Budgetary Comparison

### General Fund

For the Fiscal Years Ended June 30, 2015 and 2014

|  | <u>2015</u>                |                         |                     | <u>2014</u>                |                         |                   |
|--|----------------------------|-------------------------|---------------------|----------------------------|-------------------------|-------------------|
|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     |
| <b>Revenues</b>                                      |                            |                         |                     |                            |                         |                   |
| Taxes  | \$ 10,177,554              | \$ 10,177,554           | \$ 11,379,860       | \$ 10,245,163              | \$ 10,245,163           | \$ 10,670,578     |
| Other  | 2,950,830                  | 3,541,531               | 2,914,757           | 3,433,036                  | 3,781,185               | 2,757,900         |
| Intergovernmental                                    | <u>6,235,073</u>           | <u>6,378,548</u>        | <u>4,128,320</u>    | <u>5,508,191</u>           | <u>5,643,282</u>        | <u>4,404,422</u>  |
| Total Revenues                                       | <u>19,363,457</u>          | <u>20,097,633</u>       | <u>18,422,937</u>   | 19,186,390                 | 19,669,630              | 17,832,900        |
| <b>Expenditures</b>                                  | <u>19,496,253</u>          | <u>20,187,429</u>       | <u>17,469,232</u>   | <u>19,866,298</u>          | <u>20,349,538</u>       | <u>17,372,870</u> |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (132,796)                  | (89,796)                | 953,705             | (679,908)                  | (679,908)               | 460,030           |
| <b>Other Financing Sources (Uses)</b>                |                            |                         |                     |                            |                         |                   |
| Proceeds of debt                                     | 132,796                    | 132,796                 | 129,103             | 809,908                    | 809,908                 | 418,581           |
| Transfer from<br>Housing Development                 | <u>-</u>                   | <u>(43,000)</u>         | <u>83,587</u>       | <u>(130,000)</u>           | <u>(130,000)</u>        | <u>(158,871)</u>  |
| Total Other Financing<br>Sources (Uses)              | <u>132,796</u>             | <u>89,796</u>           | <u>212,690</u>      | <u>679,908</u>             | <u>679,908</u>          | <u>259,710</u>    |
| Change in Fund Balance                               | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ 1,166,395</u> | <u>\$ -</u>                | <u>\$ -</u>             | <u>\$ 719,740</u> |

Final amended budget revenues were more than the original budget by \$734,176.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$691,176 primarily because of increased funding for public safety.

Actual revenues were less than final budget amounts by \$1,674,696 or 8.3 percent, while actual expenditures were \$2,718,197, or 13.5 percent less than final budget amounts. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2015 include the following:

#### Less Than Budget

|                     |              |
|---------------------|--------------|
| Other state funds   | \$ 1,004,794 |
| Other federal funds | 886,773      |

#### Exceeded Budget

|                         |            |
|-------------------------|------------|
| Local sales and use tax | \$ 231,480 |
| Lodging taxes           | 236,854    |

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2015, the City's net investment in capital assets totals \$8,971,518, which is net capital assets less related debt for governmental activities and \$320,707 for business-type activities.

During fiscal year 2015, the City's net capital assets (including additions, decreases, and depreciation) decreased \$1,030,065, or 7.0 percent, for governmental activities and increased \$7,290,751, or 6.3 percent, for business-type activities, as summarized in the following table:

### Change in Capital Assets

#### Governmental Activities

|   | <u>Balance</u><br><u>July 1, 2014</u> | <u>Net Additions</u><br><u>and Deletions</u> | <u>Balance</u><br><u>June 30, 2015</u> |
|---|---------------------------------------|--|--|
| Land and land improvements                      | \$ 2,004,650                          | \$ 14,272                                    | \$ 2,018,922                           |
| Buildings and improvements                      | 5,595,190                             | -  | 5,595,190                              |
| Infrastructure                                  | 17,242,513                            | 70,338                                       | 17,312,851                             |
| Furniture, equipment, and vehicles              | 7,396,779                             | 216,230                                      | 7,613,009                              |
| Total Capital Assets                            | 32,239,132                            | 300,840                                      | 32,539,972                             |
| Less: Accumulated depreciation and amortization | (17,451,061)                          | (1,330,905)                                  | (18,781,966)                           |
| Total Capital Assets, Net                       | <u>\$ 14,788,071</u>                  | <u>\$ (1,030,065)</u>                        | <u>\$ 13,758,006</u>                   |

#### Business-Type Activities

|   | <u>Balance</u><br><u>July 1, 2014</u> | <u>Net Additions</u><br><u>and Deletions</u> | <u>Balance</u><br><u>June 30, 2015</u> |
|---|---------------------------------------|--|--|
| Land and land improvements                      | \$ 103,471                            | \$ -   | \$ 103,471                             |
| Buildings and systems                           | 17,484,119                            | -  | 17,484,119                             |
| Construction in progress                        | 2,185,301                             | 7,693,253                                    | 9,878,554                              |
| Furniture, equipment, and vehicles              | 1,296,916                             | -  | 1,296,916                              |
| Total Capital Assets                            | 21,069,807                            | 7,693,253                                    | 28,763,060                             |
| Less: Accumulated depreciation and amortization | (9,524,707)                           | (402,502)                                    | (9,927,209)                            |
| Total Capital Assets, Net                       | <u>\$ 11,545,100</u>                  | <u>\$ 7,290,751</u>                          | <u>\$ 18,835,851</u>                   |
| Total Capital Assets, Net - City of Emporia     | <u>\$ 26,333,171</u>                  | <u>\$ 6,260,686</u>                          | <u>\$ 32,593,857</u>                   |

## Long-Term Debt

As of June 30, 2015, the City's long-term obligations total \$23,842,558.

|                                 | <u>Balance</u><br><u>July 1, 2014</u> | <u>Net Additions</u><br><u>and Deletions</u> | <u>Balance</u><br><u>June 30, 2015</u> |
|---------------------------------|---------------------------------------|--|--|
| <b>Governmental Activities</b>  |                                       |  |  |
| Long-term debt                  | \$ 5,202,819                          | \$ (416,331)                                 | \$ 4,786,488                           |
| Net pension liability           | -                                     | 1,500,217                                    | 1,500,217                              |
| Unfunded OPEB liability         | 32,928                                | (1,028)                                      | 31,900                                 |
| Compensated absences            | <u>349,733</u>                        | <u>16,859</u>                                | <u>366,592</u>                         |
| Total Governmental Activities   | 5,585,480                             | 1,099,717                                    | 6,685,197                              |
| <b>Business-Type Activities</b> |                                       |  |  |
| Long-term debt                  | 10,236,805                            | 8,278,339                                    | 18,515,144                             |
| Net pension liability           | -                                     | 353,606                                      | 353,606                                |
| Compensated absences            | <u>118,046</u>                        | <u>26,444</u>                                | <u>144,490</u>                         |
| Total Business-Type Activities  | <u>10,354,851</u>                     | <u>8,658,389</u>                             | <u>19,013,240</u>                      |
| Total Primary Government        | <u>\$ 15,940,331</u>                  | <u>\$ 9,758,106</u>                          | <u>\$ 25,698,437</u>                   |

More detailed information on the City's long-term obligations is presented in Note 9 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the City of Emporia, Virginia in June 2015 was 7.6 percent. This compares unfavorably to the state's rate of 5.0 percent and the national rate of 5.3 percent.
- According to the 2010 U. S. Census, the population in the City of Emporia, Virginia was 5,927, an increase of 4.6 percent, since the 2000 U. S. Census.
- The per capita income in the City of Emporia, Virginia was \$19,245 compared to \$32,145 for the state, according to the 2010 U. S. Census data.

The fiscal year 2016 adopted budget anticipates general fund revenues and expenditures to be \$22,190,603, a 10.4 percent increase over the fiscal year 2015 budget.

## REQUESTS FOR INFORMATION

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 money it receives. Questions concerning this report or requests for additional information should be directed to Brian S. Thrower, City Manager, or Sheila J. Cutrell, Finance Director, City of Emporia, Virginia, 201 South Main Street, Emporia, Virginia 23847, telephone 434-634-3332, or visit the City's website at [www.ci.emporia.va.us](http://www.ci.emporia.va.us).

# BASIC FINANCIAL STATEMENTS



## City of Emporia, Virginia

## Statement of Net Position

At June 30, 2015

|  | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| <b>Assets</b>  |                            |                             |                      |
| Cash and cash equivalents  | \$ 9,812,397               | \$ 3,705,572                | \$ 13,517,969        |
| Receivables, net   | 716,178                    | 366,869                     | 1,083,047            |
| Due from other governments   | 534,955                    | -                           | 534,955              |
| Other assets   | 1,442,753                  | -                           | 1,442,753            |
| Encumbrances outstanding   | 23,208                     | -                           | 23,208               |
| <b>Capital Assets</b>  |                            |                             |                      |
| Land   | 2,018,922                  | 103,471                     | 2,122,393            |
| Other capital assets, net of accumulated depreciation              | 11,739,084                 | 18,732,380                  | 30,471,464           |
| Capital Assets, Net  | 13,758,006                 | 18,835,851                  | 32,593,857           |
| <b>Deferred Outflows of Resources</b>                              |                            |                             |                      |
| Deferred outflows - pension liability                              | 411,517                    | 96,943                      | 508,460              |
| Total Assets and Deferred Outflows of Resources                    | <u>\$ 26,699,014</u>       | <u>\$ 23,005,235</u>        | <u>\$ 49,704,249</u> |
| <b>Liabilities</b>   |                            |                             |                      |
| Accounts payable and accrued expenses                              | \$ 1,075,751               | \$ 545,307                  | \$ 1,621,058         |
| Accrued interest payable   | 39,556                     | 176,668                     | 216,224              |
| Customer deposits  | -                          | 208,558                     | 208,558              |
| Unfunded OPEB obligation   | 31,900                     | -                           | 31,900               |
| Compensated absences   | 366,592                    | 144,490                     | 511,082              |
| Unearned revenue   | 249,749                    | -                           | 249,749              |
| <b>Long-Term Liabilities</b>                                       |                            |                             |                      |
| <i>Due within one year</i>   |                            |                             |                      |
| Bonds, loans, and capital leases payable                           | 550,917                    | 425,696                     | 976,613              |
| <i>Due in more than one year</i>                                   |                            |                             |                      |
| Bonds, loans, and capital leases payable                           | 4,235,571                  | 18,089,448                  | 22,325,019           |
| Net pension liability  | 1,500,217                  | 353,606                     | 1,853,823            |
| Total Liabilities  | 8,050,253                  | 19,943,773                  | 27,994,026           |
| <b>Deferred Inflows of Resources</b>                               |                            |                             |                      |
| Deferred inflows - pension liability                               | 1,046,614                  | 246,690                     | 1,293,304            |
| <b>Net Position</b>  |                            |                             |                      |
| Net investment in capital assets                                   | 8,971,518                  | 320,707                     | 9,292,225            |
| Restricted for encumbrances  | 23,208                     | -                           | 23,208               |
| Unrestricted   | 8,607,421                  | 2,494,065                   | 11,101,486           |
| Total Net Position   | <u>17,602,147</u>          | <u>2,814,772</u>            | <u>20,416,919</u>    |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 26,699,014</u>       | <u>\$ 23,005,235</u>        | <u>\$ 49,704,249</u> |

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



**City of Emporia, Virginia**  
**Statement of Activities**  
For the Year Ended June 30, 2015

| Functions/Programs                           | Expenses             | Charges for Services | Program Revenues                   |                                  | Net (Expense) Revenue and Changes in Net Position |                          | Total                |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
|  |                      |                      | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities |                      |
| Primary Government                           |                      |                      |                                    |                                  |   |                          |                      |
| Governmental Activities                      |                      |                      |                                    |                                  |   |                          |                      |
| General government administration            | \$ 1,700,663         | \$ 17,749            | \$ 3,505,277                       | \$ -                             | \$ 1,822,363                                      | \$ -                     | \$ 1,822,363         |
| Judicial administration                      | 2,989,479            | 1,183,297            | -                                  | -                                | (1,806,182)                                       | -                        | (1,806,182)          |
| Public safety                                | 3,935,808            | 150,375              | -                                  | -                                | (3,785,433)                                       | -                        | (3,785,433)          |
| Public works                                 | 2,805,254            | 811,306              | -                                  | -                                | (1,993,948)                                       | -                        | (1,993,948)          |
| Health and welfare                           | 455,085              | -                    | -                                  | -                                | (455,085)   | -                        | (455,085)            |
| Education                                    | 4,410,350            | -                    | -                                  | -                                | (4,410,350)                                       | -                        | (4,410,350)          |
| Parks, recreation, and cultural              | 272,594              | -                    | -                                  | -                                | (272,594)   | -                        | (272,594)            |
| Community development                        | 1,480,446            | -                    | -                                  | -                                | (1,480,446)                                       | -                        | (1,480,446)          |
| Interest on long-term debt                   | <u>236,740</u>       | <u>-</u>             | <u>-</u>                           | <u>-</u>                         | <u>(236,740)</u>                                  | <u>-</u>                 | <u>(236,740)</u>     |
| Total Governmental Activities                | 18,286,419           | 2,162,727            | 3,505,277                          | -                                | (12,618,415)                                      | -                        | (12,618,415)         |
| Business-Type Activities                     |                      |                      |                                    |                                  |   |                          |                      |
| Water and Sewer Fund                         | <u>3,203,713</u>     | <u>3,183,596</u>     | <u>-</u>                           | <u>-</u>                         | <u>-</u>  | <u>(20,117)</u>          | <u>(20,117)</u>      |
| Total Business-Type Activities               | <u>3,203,713</u>     | <u>3,183,596</u>     | <u>-</u>                           | <u>-</u>                         | <u>-</u>  | <u>(20,117)</u>          | <u>(20,117)</u>      |
| Total Primary Government                     | <u>\$ 21,490,132</u> | <u>\$ 5,346,323</u>  | <u>\$ 3,505,277</u>                | <u>\$ -</u>                      | (12,618,415)                                      | (20,117)                 | (12,638,532)         |
| General Revenues                             |                      |                      |                                    |                                  |   |                          |                      |
| Taxes  |                      |                      |                                    |                                  |   |                          |                      |
| General property taxes, real and personal    |                      |                      |                                    |                                  | 4,997,223   | -                        | 4,997,223            |
| Other local taxes                            |                      |                      |                                    |                                  | 6,377,840   | -                        | 6,377,840            |
| Noncategorical aid from state                |                      |                      |                                    |                                  | 623,043   | -                        | 623,043              |
| Use of property                              |                      |                      |                                    |                                  | 11,886  | -                        | 11,886               |
| Investment earnings                          |                      |                      |                                    |                                  | 37,170  | 5,412                    | 42,582               |
| Miscellaneous                                |                      |                      |                                    |                                  | <u>705,391</u>                                    | <u>-</u>                 | <u>705,391</u>       |
| Total General Revenues                       |                      |                      |                                    |                                  | <u>12,752,553</u>                                 | <u>5,412</u>             | <u>12,757,965</u>    |
| Change in Net Position                       |                      |                      |                                    |                                  | 134,138   | (14,705)                 | 119,433              |
| Net Position - Beginning of Year             |                      |                      |                                    |                                  | 19,328,839  | 3,290,948                | 22,619,787           |
| Prior Period Adjustment - Pension Obligation |                      |                      |                                    |                                  | (1,878,405)                                       | (461,471)                | (2,339,876)          |
| Change in Reserve for Encumbrances           |                      |                      |                                    |                                  | <u>17,575</u>                                     | <u>-</u>                 | <u>17,575</u>        |
| Net Position - End of Year                   |                      |                      |                                    |                                  | <u>\$ 17,602,147</u>                              | <u>\$ 2,814,772</u>      | <u>\$ 20,416,919</u> |

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

City of Emporia, Virginia

Balance Sheet

Governmental Funds

At June 30, 2015

|   | General<br>Fund      | Emporia<br>Redevelopment<br>and Housing<br>Authority Fund | Total<br>Governmental<br>Funds |
|---|----------------------|---|--------------------------------|
| <b>Assets</b>   |                      |   |                                |
| Cash and investments  | \$ 9,733,766         | \$ 78,631   | \$ 9,812,397                   |
| Property taxes receivable, net  | 217,322              | -   | 217,322                        |
| Accounts receivable   | 494,391              | 4,465   | 498,856                        |
| Due from other governments  | 534,955              | -   | 534,955                        |
| Other assets  | 6,682                | 1,436,071   | 1,442,753                      |
| Encumbrances outstanding  | <u>23,208</u>        | <u>-</u>  | <u>23,208</u>                  |
| Total Assets  | <u>\$ 11,010,324</u> | <u>\$ 1,519,167</u>                                       | <u>\$ 12,529,491</u>           |
| <b>Liabilities</b>  |                      |   |                                |
| Accounts payable  | \$ 493,737           | \$ 14,275   | \$ 508,012                     |
| Accrued liabilities   | <u>567,739</u>       | <u>-</u>  | <u>567,739</u>                 |
| Total Liabilities   | 1,061,476            | 14,275  | 1,075,751                      |
| <b>Deferred Inflows of Resources</b>                                  |                      |   |                                |
| Unavailable revenue - property taxes                                  | <u>461,119</u>       | <u>-</u>  | <u>461,119</u>                 |
| Total Deferred Inflows of Resources                                   | 461,119              | -   | 461,119                        |
| <b>Fund Balance</b>   |                      |   |                                |
| <b>Restricted for</b>   |                      |   |                                |
| Fire programs   | 157,011              | -   | 157,011                        |
| Drug seizure  | 49,912               | -   | 49,912                         |
| Courthouse security   | 946,899              | -   | 946,899                        |
| DHCD - rental assistance  | 4,837                | -   | 4,837                          |
| Program income projects   | 2,727                | 33,777  | 36,504                         |
| Citizen Bank building investment                                      | -                    | 1,436,071   | 1,436,071                      |
| <b>Assigned to</b>  |                      |   |                                |
| Encumbrances  | 23,208               | -   | 23,208                         |
| <b>Unassigned</b>   |                      |   |                                |
|   | <u>8,303,135</u>     | <u>35,044</u>   | <u>8,338,179</u>               |
| Total Fund Balance  | <u>9,487,729</u>     | <u>1,504,892</u>  | <u>10,992,621</u>              |
| Total Liabilities, Deferred Inflows of<br>Resources, and Fund Balance | <u>\$ 11,010,324</u> | <u>\$ 1,519,167</u>                                       | <u>\$ 12,529,491</u>           |

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

City of Emporia, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2015

|  |                    |                      |
|--|--------------------|----------------------|
| Total Fund Balances for Governmental Funds   |                    | \$ 10,992,621        |
| Total net position reported for governmental activities in the Statement of Net Position is different because:   |                    |                      |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:                 |                    |                      |
| Land   | \$ 2,018,922       |                      |
| Buildings and improvements, net of accumulated depreciation  | 2,925,858          |                      |
| Furniture, equipment, and vehicles, net of accumulated depreciation  | 1,429,875          |                      |
| Infrastructure, net of accumulated depreciation  | <u>7,383,351</u>   |                      |
| Total Capital Assets   |                    | 13,758,006           |
| Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.   |                    |                      |
| Unavailable revenue - property taxes   | 211,370            |                      |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds                      |                    |                      |
| Deferred outflows of resources related to pensions   | 411,517            |                      |
| Deferred inflows of resources related to pensions  | <u>(1,046,614)</u> |                      |
| Total Deferred Outflows and Inflows of Resources   |                    | (423,727)            |
| Liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. |                    |                      |
| Balances of long-term liabilities affecting net position are as follows:   |                    |                      |
| Bonds and notes payable  | (4,786,488)        |                      |
| Net pension liability  | (1,500,217)        |                      |
| Accrued interest payable   | (39,556)           |                      |
| Unfunded OPEB obligation   | (31,900)           |                      |
| Compensated absences   | <u>(366,592)</u>   |                      |
| Total  |                    | <u>(6,724,753)</u>   |
| Total Net Position of Governmental Activities  |                    | <u>\$ 17,602,147</u> |

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

City of Emporia, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2015

|   | General<br>Fund | Emporia<br>Redevelopment<br>and Housing<br>Authority Fund | Total<br>Governmental<br>Funds |
|---|-----------------|---|--------------------------------|
| <b>Revenues</b>                                   |                 |   |                                |
| Property taxes                                    | \$ 5,002,020    | \$ -  | \$ 5,002,020                   |
| Other local taxes                                 | 6,377,840       | -   | 6,377,840                      |
| Permits, privilege fees, and regulatory licenses  | 17,749          | -   | 17,749                         |
| Fines and forfeitures                             | 1,183,297       | -   | 1,183,297                      |
| Use of money and property                         | 50,568          | 304   | 50,872                         |
| Charges for services                              | 961,681         | -   | 961,681                        |
| Miscellaneous                                     | 174,831         | -   | 174,831                        |
| Recovered costs                                   | 526,631         | 3,929   | 530,560                        |
| <i>Intergovernmental</i>                          |                 |   |                                |
| Revenue from the Commonwealth of Virginia         | 3,777,108       | -   | 3,777,108                      |
| Revenue from the Federal Government               | 351,212         | -   | 351,212                        |
| Total Revenues                                    | 18,422,937      | 4,233   | 18,427,170                     |
| <b>Expenditures</b>                               |                 |   |                                |
| <b>Current</b>                                    |                 |   |                                |
| General government administration                 | 1,395,217       | -   | 1,395,217                      |
| Judicial administration                           | 2,989,479       | -   | 2,989,479                      |
| Public safety                                     | 3,568,962       | -   | 3,568,962                      |
| Public works                                      | 2,254,831       | -   | 2,254,831                      |
| Health and welfare                                | 455,085         | -   | 455,085                        |
| Education - public school system                  | 4,410,350       | -   | 4,410,350                      |
| Parks, recreation, and cultural                   | 269,573         | -   | 269,573                        |
| Community development                             | 1,430,443       | 53,969  | 1,484,412                      |
| Debt service                                      | 695,292         | -   | 695,292                        |
| Total Expenditures                                | 17,469,232      | 53,969  | 17,523,201                     |
| Excess (Deficiency) of Revenues Over Expenditures | 953,705         | (49,736)  | 903,969                        |
| <b>Other Financing Sources (Uses)</b>             |                 |   |                                |
| Transfer in (out) from (to) other funds           | 83,587          | (83,587)  | -                              |
| Proceeds of notes                                 | 129,103         | -   | 129,103                        |
| Total Other Financing Sources (Uses)              | 212,690         | (83,587)  | 129,103                        |
| Net Change in Fund Balance                        | 1,166,395       | (133,323)   | 1,033,072                      |
| Fund Balance - Beginning of Year                  | 8,303,759       | 1,638,215   | 9,941,974                      |
| Change in Encumbrances                            | 17,575          | -   | 17,575                         |
| Fund Balance - End of Year                        | \$ 9,487,729    | \$ 1,504,892  | \$ 10,992,621                  |

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

City of Emporia, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2015

|  |    |                  |                       |
|--|----|------------------|-----------------------|
| Net Change in Fund Balances - Total Governmental Funds   | \$ | 1,033,072        |                       |
| 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 depreciation exceeded capital outlays in the current period.   |    |                  | (1,028,249)           |
| Amount proceeds from sale of assets exceeds capital gain.  |    |                  | (1,816)               |
| Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements but recognized in the Statement of Activities.   |    |                  | (4,797)               |
| Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.    |    |                  |                       |
| Debt issued  | \$ | (129,103)        |                       |
| Repayments on debt   |    | 695,292          |                       |
| Interest expense   |    | <u>(236,740)</u> |                       |
| Net Adjustment   |    |                  | 329,449               |
| Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.  |    |                  |                       |
| Pension contributions  |    | 415,451          |                       |
| Cost of benefits earned net of employee contributions  |    | <u>(593,141)</u> |                       |
|  |    |                  | (177,690)             |
| Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following: |    |                  |                       |
| Compensated absences   |    | (16,859)         |                       |
| Unfunded OPEB obligation   |    | <u>1,028</u>     |                       |
| Net Adjustment   |    |                  | <u>(15,831)</u>       |
| Change in Net Position of Governmental Activities  | \$ |                  | <u><u>134,138</u></u> |

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

## City of Emporia, Virginia

## Statement of Net Position

## Proprietary Funds

At June 30, 2015

**Business-Type  
Activities -  
Enterprise Fund  
Water and Sewer  
Fund**

**Assets****Current Assets**

|                      |                |
|----------------------|----------------|
| Cash and investments | \$ 3,705,572   |
| Receivables, net     | <u>366,869</u> |
| Total Current Assets | 4,072,441      |

**Noncurrent Assets**

|                         |                   |
|-------------------------|-------------------|
| Capital assets, net     | <u>18,835,851</u> |
| Total Noncurrent Assets | 18,835,851        |

**Deferred Outflows of Resources**

|                                       |               |
|---------------------------------------|---------------|
| Deferred outflows - pension liability | <u>96,943</u> |
|---------------------------------------|---------------|

|   |                             |
|---|-----------------------------|
| Total Assets and Deferred Outflows of Resources | <u><u>\$ 23,005,235</u></u> |
|---|-----------------------------|

**Liabilities****Current Liabilities**

|                            |                |
|----------------------------|----------------|
| Accounts payable           | \$ 488,107     |
| Accrued expenses           | 233,868        |
| Short-term portion of debt | <u>425,696</u> |
| Total Current Liabilities  | 1,147,671      |

**Noncurrent Liabilities**

|                       |                   |
|-----------------------|-------------------|
| Compensated absences  | 144,490           |
| Customer deposits     | 208,558           |
| Net pension liability | 353,606           |
| Long-term debt        | <u>18,089,448</u> |

|                              |                   |
|------------------------------|-------------------|
| Total Noncurrent Liabilities | <u>18,796,102</u> |
|------------------------------|-------------------|

|                   |            |
|-------------------|------------|
| Total Liabilities | 19,943,773 |
|-------------------|------------|

**Deferred Inflows of Resources**

|                                      |         |
|--------------------------------------|---------|
| Deferred inflows - pension liability | 246,690 |
|--------------------------------------|---------|

**Net Position**

|                                  |                  |
|----------------------------------|------------------|
| Net investment in capital assets | 320,707          |
| Unrestricted                     | <u>2,494,065</u> |

|                    |                  |
|--------------------|------------------|
| Total Net Position | <u>2,814,772</u> |
|--------------------|------------------|

|   |                             |
|---|-----------------------------|
| Total Liabilities, Deferred Inflows of<br>Resources, and Net Position | <u><u>\$ 23,005,235</u></u> |
|---|-----------------------------|

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

## City of Emporia, Virginia

## Statement of Revenues, Expenses, and Changes in Net Position

## Proprietary Funds

Year Ended June 30, 2015

|   | <b>Business-Type<br/>Activities -<br/>Enterprise Fund<br/>Water and Sewer<br/>Fund</b> |
|---|--|
| <b>Operating Revenues</b>                   |  |
| Charges for services, net                   | \$ 3,068,304   |
| Penalties income                            | 106,016  |
| Miscellaneous                               | <u>9,276</u>   |
| Total Operating Revenues                    | 3,183,596  |
| <b>Operating Expenses</b>                   |  |
| Personnel services and benefits             | 1,251,184  |
| Maintenance, supplies, and vehicle expenses | 309,238  |
| Utilities                                   | 197,867  |
| Chemicals                                   | 87,230   |
| Depreciation                                | 402,502  |
| Other charges                               | <u>549,861</u>   |
| Total Operating Expenses                    | <u>2,797,882</u>   |
| Operating Income                            | 385,714  |
| <b>Nonoperating Revenues (Expenses)</b>     |  |
| Interest income                             | 5,412  |
| Interest expense                            | <u>(405,831)</u>   |
| Total Nonoperating Revenues (Expenses)      | <u>(400,419)</u>   |
| Income Before Operating Transfers           | (14,705)   |
| Operating Transfers                         | <u>-</u>   |
| Change in Net Position                      | (14,705)   |
| Prior Period Adjustment                     | (461,471)  |
| Total Net Position - Beginning of Year      | <u>3,290,948</u>   |
| Total Net Position - End of Year            | <u>\$ 2,814,772</u>  |

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

## City of Emporia, Virginia

## Statement of Cash Flows

## Proprietary Funds

Year Ended June 30, 2015

**Business-Type  
Activities -  
Enterprise Fund  
Water and Sewer  
Fund**

**Cash Flows from Operating Activities**

|   |                    |
|---|--------------------|
| Receipts from customers                   | \$ 3,285,599       |
| Other receipts                            | 9,276              |
| Payments to personnel and suppliers       | <u>(1,826,025)</u> |
| Net Cash Provided by Operating Activities | 1,468,850          |

**Cash Flows from Capital and Related Financing Activities**

|  |                  |
|--|------------------|
| Purchases and construction of capital assets                     | (7,693,253)      |
| Proceeds from the issuance of debt                               | 9,047,236        |
| Principal paid on capital debt                                   | (415,291)        |
| Change in pension liability                                      | (353,606)        |
| Interest paid on capital debt                                    | <u>(405,831)</u> |
| Net Cash Provided by Capital and Related<br>Financing Activities | 179,255          |

**Cash Flows from Investing Activities**

|  |              |
|--|--------------|
| Interest income  | 5,412        |
| Operating transfers  | <u>-</u>     |
| Net Cash Provided by Capital and Related<br>Investing Activities | <u>5,412</u> |

Net Increase in Cash and Cash Equivalents 1,653,517

Cash and Cash Equivalents - Beginning of Year 2,052,055

Cash and Cash Equivalents - End of Year \$ 3,705,572

**Reconciliation of Operating Income to Net  
Cash Provided by Operating Activities**

|   |                            |
|---|----------------------------|
| Operating income  | \$ 385,714                 |
| <i>Adjustments to Reconcile Operating Income to Net<br/>Cash Provided by Operating Activities</i> |                            |
| Depreciation expense  | 402,502                    |
| <i>Changes in assets and liabilities</i>  |                            |
| Receivables, net  | 102,101                    |
| Accounts payable and accrued expenses   | 501,033                    |
| Compensated absences  | 26,440                     |
| Customer deposits   | 9,178                      |
| Deferred outflows - pension liability   | (97,923)                   |
| Net pension liability   | 353,606                    |
| Deferred inflows - pension liability  | 246,690                    |
| Prior period adjustment   | <u>(460,491)</u>           |
| Net Cash Provided by Operating Activities   | <u><u>\$ 1,468,850</u></u> |

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



## City of Emporia, Virginia

### Notes to the Financial Statements

Year Ended June 30, 2015

## 1 Summary of Significant Accounting Policies

### *Narrative Profile*

The City of Emporia, Virginia (the “City”) has a population of approximately 5,900 living within its corporate limits. The City is located in the Southside area in Southeastern Virginia. The City is governed by an appointed City Manager and a seven-member City Council with each serving administrative and legislative functions.

The City is governed under the City Executive – City Council form of government. The City of Emporia, Virginia engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation, and cultural, and community development.

The financial statements of the City have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The more significant of the government’s accounting policies are described below:

### **1-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 governmental unit’s reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization’s governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the City of Emporia, Virginia (the primary government). Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government.

### **Inclusions in the Reporting Entity**

#### **Blended Component Units**

Emporia Redevelopment and Housing Authority Fund – This fund accounts for monies held by the City for the future use of the Emporia Redevelopment and Housing Authority. Although this entity is a separate corporate and legal entity, the City Council appoints the entity’s governing body and significantly influences the projects, activities, and level of service performed by the entity.

## Exclusions from the Reporting Entity

### Jointly Governed Organizations

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

The financial activities of the following organizations are excluded from the accompanying financial statements for the reasons indicated:

#### *Greensville County School Board*

The Greensville County School Board provides educational services to the City of Emporia, Virginia and the County of Greensville, Virginia. The two localities provide annual contributions for operations and capital improvements based upon an agreed-upon shared services agreement. The City appoints two representatives to a six-member School Board, with the remaining representatives coming from the County of Greensville, Virginia. The City appropriated to the School Board \$4,477,290 during fiscal year 2015.

#### *Greensville-Emporia Department of Social Services*

The Greensville-Emporia Department of Social Services provides social services to the residents of the City of Emporia, Virginia and the County of Greensville, Virginia. The County of Greensville, Virginia reports the entity as a discretely presented component unit due to its financial accountability and a majority representation on the governing body of the Department. The City appropriated \$178,781 during fiscal year 2015 to the Department.

#### *Southside Regional Jail Authority*

The Southside Regional Jail Authority was created by the participating localities of the City of Emporia, Virginia and the County of Greensville, Virginia in May 1995. The jail is considered a jointly governed organization of the localities with each locality represented on the Board of the Authority. The City appropriated \$1,196,731 during fiscal year 2015 to the Authority for services rendered.

### 1-B. Financial Reporting Model

The City's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, and other supplementary information, described as follows:

**Management's Discussion and Analysis** – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the City's financial activities.

**Government-wide Financial Statements** – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the City's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the City at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the business-type activities of the City. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

**Fund Financial Statements** – During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and proprietary funds are reported in separate columns.

**Reconciliation of Government-wide and Fund Financial Statements** – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

**Budgetary Comparison Schedules** – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate 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. The City and many other governments revise their original budgets over the course of the year for a variety of reasons.

**GASB-Required Supplementary Pension** – GASB issued Statement No. 68–*Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

#### **1-C. Financial Statement Presentation**

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. The following is a brief description of the funds reported by the City in each of its fund types in the financial statements:

- **Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the City's major governmental funds:
  - *General Fund* – The General Fund is the primary operating fund of the City and accounts for all revenues and expenditures applicable to the general operations of the City which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.
  - *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds consist of the Emporia Redevelopment and Housing Authority Fund.
  - *Capital Projects Funds* – 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. The City has no Capital Projects Funds at this time.

- ***Proprietary Funds*** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The City has one enterprise fund, the Water and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that the cost of providing services to the general public be financed or recovered through user charges.
- ***Fiduciary Funds (Trust and Agency Funds)*** – Fiduciary funds account for assets held by the City in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. 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 government, these funds are not incorporated into the government-wide financial statements. Agency Funds consist of the following:
  - a. Private Purpose Trust Funds – The City has no Private Purpose Trust Funds at this time.
  - b. Agency Funds – The City has no Agency Funds at this time.

#### **1-D. Measurement Focus and Basis of Accounting**

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles 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 and fiduciary 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 as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, judicial administration, public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property taxes, 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 (general government administration, judicial administration, 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items 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.

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 government, these funds are not incorporated into the government-wide statements.

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 state or utilities and, subsequently, remitted to the City, are recognized as revenues and receivables upon collection by the state or 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 earned or at the time of the specific expenditures. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

## **1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity**

### **1-E-1 Cash and Cash Equivalents**

The City operates a cash account for each fund and its related activities. Therefore, all cash and deposit accounts are essentially demand deposits and are considered cash and cash equivalents.

### **1-E-2 Investments**

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

### **1-E-3 Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$289,082 at June 30.

|                                    |          |
|------------------------------------|----------|
| General Fund - taxes receivable    | \$35,965 |
| General Fund - accounts receivable | 253,117  |

### **Real and Personal Property Tax Data**

The tax calendars for real and personal property taxes are summarized below:

#### **Real Property   Personal Property**

|          |             |        |
|----------|-------------|--------|
| Lewy     | September 1 | June 1 |
| Due Date | December 5  | July 1 |

The City bills and collects its own property taxes.

A ten percent penalty or \$10 minimum is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes beginning on January 1.

### **1-E-4 Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as non spendable as this amount is not available for general appropriation.

### **1-E-5 Capital Assets**

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.



All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists primarily of roads and bridges. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

| <b>Asset Description</b>      | <b>Estimated Lives</b> |
|-------------------------------|------------------------|
| Buildings and improvements    | 25 to 50 years         |
| Furniture and other equipment | 3 to 10 years          |
| Vehicles                      | 5 to 15 years          |
| Infrastructure                | 15 to 50 years         |

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments.

#### **1-E-6 Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet.

#### **1-E-7 Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level when paid.



### **1-E-8 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 Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (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.

### **1-E-9 Other Postemployment Benefits Plans**

Other postemployment benefit plan contributions are actuarially determined to project the present value of postemployment benefits for retired and active employees. The notes to the financial statements present required schedules of funding progress that includes multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### **1-E-10 Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

**Governmental Fund Balances** – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

**Net Position** – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

#### **1-E-11 Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for utilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets.

#### **1-E-12 Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

#### **1-E-13 Long-Term Obligations**

The City reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

#### **1-E-14 Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## **2 Stewardship, Compliance, and Accountability**

### **Budgets and Budgetary Accounting**

The City Council annually adopts budgets for the various funds of the primary government. All appropriations are legally controlled at the department level for the primary Government Funds. Unexpended appropriations lapse at the end of each fiscal year.

### *Budgetary Data*

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the City Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

### **Expenditures Exceeded Appropriations in the Following Funds at June 30, 2015**

No expenditures exceeded appropriations.

### **Fund Deficits**

No funds had fund deficits.

## **3** **Deposits and Investments**

### *Deposits*

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

### *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, banker's acceptances, repurchase agreements, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

The City of Emporia, Virginia only invests in Certificates of Deposit at local banks. Therefore, there is no custodial risk, credit risk of debt securities, concentration of credit risk, or foreign currency risk. The only risk of interest rates is that associated with short-term rates at the local banks which are generally invested in Certificates of Deposit held less than one year.

The following is a summary of cash and cash equivalents:

| <u>Asset Type</u>               | <u>Balance<br/>June 30, 2015</u> |
|---------------------------------|----------------------------------|
| Petty cash                      | \$ 1,100                         |
| Deposit accounts                | <u>13,516,869</u>                |
| Total Cash and Cash Equivalents | <u>\$ 13,517,969</u>             |

|                           | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>         |
|---------------------------|------------------------------------|-------------------------------------|----------------------|
| Cash and cash equivalents | <u>\$ 9,812,397</u>                | <u>\$ 3,705,572</u>                 | <u>\$ 13,517,969</u> |

## 4 Receivables

Receivables at June 30, 2015 consist of the following:

|                              | <u>General</u>    | <u>Business-Type<br/>Activities</u> |
|------------------------------|-------------------|-------------------------------------|
| Property taxes               | \$ 253,287        | \$ -                                |
| Utility taxes                | 41,322            | -                                   |
| Sanitation fees              | 68,319            | -                                   |
| Meals and lodging taxes      | 356,205           | -                                   |
| Court fines                  | 1,639             | -                                   |
| Other                        | 267,078           | -                                   |
| Water and sewer              | -                 | 503,248                             |
| Grant proceeds receivable    | 4,465             | -                                   |
| Local organizations          | <u>12,945</u>     | <u>-</u>                            |
| Total                        | 1,005,260         | 503,248                             |
| Allowance for uncollectibles | <u>(289,082)</u>  | <u>(136,379)</u>                    |
| Net Receivables              | <u>\$ 716,178</u> | <u>\$ 366,869</u>                   |

## 5 Due to/from Other Funds

Details of the primary government interfund receivables and payables as of June 30, 2015 are as follows:

| <u>Interfund Obligations</u> | <u>Interfund<br/>Receivable</u> | <u>Interfund<br/>Payable</u> |
|------------------------------|---------------------------------|------------------------------|
| General Fund                 | \$ -                            | \$ -                         |
| Utility Fund                 | -                               | -                            |

## 6 Due from Other Governmental Units

Details of the City's receivables from other governmental units, as of June 30, 2015, are as follows:

|                                       | <u>General</u>    |
|---------------------------------------|-------------------|
| <b>County of Greenville, Virginia</b> |                   |
| School Board - Education              | \$ 292,844        |
| Other                                 | <u>17,948</u>     |
| Total County of Greenville, Virginia  | 310,792           |
| <b>Commonwealth of Virginia</b>       | 73,463            |
| <b>Other</b>                          | <u>150,700</u>    |
| Total                                 | <u>\$ 534,955</u> |

*The remainder of this page is left blank intentionally.*

## 7 Capital Assets

The following is a summary of changes in capital assets:

### Governmental Activities

|   | Balance<br>July 1,<br>2014 | Increases      | Decreases | Balance<br>June 30,<br>2015 |
|---|----------------------------|----------------|-----------|-----------------------------|
| <b>Capital Assets Not Being Depreciated</b>   |                            |                |           |                             |
| Land and land improvements                    | \$ 2,004,650               | \$ 14,272      | \$ -      | \$ 2,018,922                |
| Total Capital Assets Not<br>Being Depreciated | 2,004,650                  | 14,272         | -         | 2,018,922                   |
| <b>Other Capital Assets</b>                   |                            |                |           |                             |
| Buildings and improvements                    | 5,595,190                  | -              | -         | 5,595,190                   |
| Infrastructure                                | 17,242,513                 | 70,338         | -         | 17,312,851                  |
| Furniture, equipment, and vehicles            | 7,396,779                  | 369,579        | 153,349   | 7,613,009                   |
| Total Other Capital Assets                    | 30,234,482                 | 439,917        | 153,349   | 30,521,050                  |
| <b>Less: Accumulated depreciation for</b>     |                            |                |           |                             |
| Buildings and improvements                    | 2,522,189                  | 147,143        | -         | 2,669,332                   |
| Infrastructure                                | 9,252,057                  | 677,443        | -         | 9,929,500                   |
| Furniture, equipment, and vehicles            | 5,676,815                  | 657,852        | 151,533   | 6,183,134                   |
| Total Accumulated Depreciation                | 17,451,061                 | 1,482,438      | 151,533   | 18,781,966                  |
| Other Capital Assets, Net                     | 12,783,421                 | (1,042,521)    | 1,816     | 11,739,084                  |
| Net Capital Assets                            | \$ 14,788,071              | \$ (1,028,249) | \$ 1,816  | \$ 13,758,006               |
| <b>Depreciation Expense was Allocated to</b>  |                            |                |           |                             |
| General government administration             | \$ 264,151                 |                |           |                             |
| Public safety                                 | 561,186                    |                |           |                             |
| Public works                                  | 657,101                    |                |           |                             |
| Total   | \$ 1,482,438               |                |           |                             |

*The remainder of this page is left blank intentionally.*

## Business-Type Activities

|   | <u>Balance<br/>July 1,<br/>2014</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Balance<br/>June 30,<br/>2015</u> |
|---|-------------------------------------|---------------------|------------------|--------------------------------------|
| <b>Capital Assets Not Being Depreciated</b> |                                     |                     |                  |                                      |
| Land and land improvements                  | \$ 103,471                          | \$ -                | \$ -             | \$ 103,471                           |
| Total Capital Assets Not Being Depreciated  | 103,471                             | -                   | -                | 103,471                              |
| <b>Other Capital Assets</b>                 |                                     |                     |                  |                                      |
| Buildings and systems                       | 17,484,119                          | -                   | -                | 17,484,119                           |
| Construction in progress                    | 2,185,301                           | 7,693,253           | -                | 9,878,554                            |
| Furniture, equipment, and vehicles          | 1,296,916                           | -                   | -                | 1,296,916                            |
| Total Other Capital Assets                  | 20,966,336                          | 7,693,253           | -                | 28,659,589                           |
| <b>Less: Accumulated depreciation for</b>   |                                     |                     |                  |                                      |
| Buildings and systems                       | 8,458,303                           | 343,236             | -                | 8,801,539                            |
| Furniture, equipment, and vehicles          | 1,066,404                           | 59,266              | -                | 1,125,670                            |
| Total Accumulated Depreciation              | 9,524,707                           | 402,502             | -                | 9,927,209                            |
| Other Capital Assets, Net                   | 11,441,629                          | 7,290,751           | -                | 18,732,380                           |
| Net Capital Assets                          | <u>\$ 11,545,100</u>                | <u>\$ 7,290,751</u> | <u>\$ -</u>      | <u>\$ 18,835,851</u>                 |

## 8 Compensated Absences

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the City has accrued the liability arising from outstanding claims, judgments, and compensated absences. All regular, full-time employees hired January 1, 2014 and after, excluding police officers hired prior to 2015, shall be covered under the provisions of a general leave policy of paid time off (PTO) in lieu of accruing sick and annual leave. Each City employee earns PTO based on years of service as follows:

| <u>Years of Service</u> | <u>Hours Accrued<br/>Per Month</u> |
|-------------------------|------------------------------------|
| Under 5 years           | 12 hours                           |
| 5-9 years               | 14 hours                           |
| 10-14 years             | 16 hours                           |
| 15-19 years             | 18 hours                           |
| 20-24 years             | 20 hours                           |
| 25 years or more        | 22 hours                           |

Accrued PTO may be paid based on years of service as follows:

| <u>Years of Service</u> | <u>Maximum<br/>Payment</u> |
|-------------------------|----------------------------|
| Under 5 years           | 36 days                    |
| 5-9 years               | 42 days                    |
| 10-14 years             | 48 days                    |
| 15-19 years             | 54 days                    |
| 20-24 years             | 60 days                    |
| 25 years or more        | 66 days                    |

The City has outstanding compensated absences totaling \$366,592 in the governmental activities. The balance in the business-type activities is \$144,490.

## 9 Long-Term Debt

### PRIMARY GOVERNMENT

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

| <u>Year(s)<br/>Ended<br/>June 30.</u> | <u>Governmental Activities</u> |                     | <u>Business-Type Activities</u> |                     |
|---------------------------------------|--------------------------------|---------------------|---------------------------------|---------------------|
|                                       | <u>General Bonds Payable</u>   |                     |                                 |                     |
|                                       | <u>Principal</u>               | <u>Interest</u>     | <u>Principal</u>                | <u>Interest</u>     |
| 2016                                  | \$ 550,917                     | \$ 134,336          | \$ 425,696                      | \$ 556,040          |
| 2017                                  | 380,047                        | 95,175              | 508,410                         | 544,371             |
| 2018                                  | 334,817                        | 112,501             | 526,232                         | 529,380             |
| 2019                                  | 295,344                        | 102,892             | 543,920                         | 513,875             |
| 2020                                  | 202,303                        | 95,500              | 562,468                         | 497,847             |
| 2021-2025                             | 913,937                        | 387,453             | 3,111,115                       | 2,232,754           |
| 2026-2030                             | 1,013,434                      | 246,258             | 3,686,671                       | 1,741,603           |
| 2031-2035                             | 961,914                        | 83,173              | 3,884,324                       | 1,176,960           |
| 2036 and thereafter                   | 133,775                        | 2,723               | 5,266,308                       | 1,666,749           |
| Net pension liability                 | 1,500,217                      | -                   | 353,606                         | -                   |
| Unfunded OPEB                         | 31,900                         | -                   | -                               | -                   |
| Compensated absences                  | <u>366,592</u>                 | <u>-</u>            | <u>144,490</u>                  | <u>-</u>            |
| Total                                 | <u>\$ 6,685,197</u>            | <u>\$ 1,260,011</u> | <u>\$ 19,013,240</u>            | <u>\$ 9,459,579</u> |

### Changes in Long-Term Debt

As of December 15, 2005, the City entered into a Service Agreement Resolution with the County of Greenville, Virginia, as additional security for the payment of the Southside Regional Jail Authority Revenue Refund Bond Series 2005 in the amount of \$6,335,900. The City pledged its full faith and credit to pay such amounts as may be needed to make up any deficit in the amount required to pay the Debt Service. Therefore, the City would be responsible for fifty percent of the Bond amount should the Southside Regional Jail default on the debt. The SRJA refinanced this debt on September 19, 2012 with Series 2012 Revenue Refunding Bond in the amount of \$4,569,600.

The following is a summary of changes in long-term obligations of the City:

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|   | <u>Balance</u><br><u>July 1, 2014</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u><br><u>June 30, 2015</u> | <u>Due Within</u><br><u>One Year</u> |
|---|---------------------------------------|-----------------|-----------------|--|--------------------------------------|
| <b>Primary Government</b>   |                                       |                 |                 |  |                                      |
| <b>Governmental Activities</b>  |                                       |                 |                 |  |                                      |
| <b>General Fund</b>   |                                       |                 |                 |  |                                      |
| USDA note dated November 16, 2010 with payments of \$393 of interest and principal due monthly commencing December 16, 2010 and ending November 16, 2015. Interest rate is fixed at 3.75% per annum.  | \$ 6,439                              |                 | \$ 4,560        | \$ 1,879                               | \$ 1,879                             |
| General Obligation Refunding Bond, Series 2006 with Community National Bank, principal amount of \$7,560,000, issued June 15, 2006, with interest at 4.00 percent, subject to be reset in future years, interest due and payable in semi-annual installments on May 1 and November 1, commencing November 1, 2006. Principal shall be due and payable in annual installments on May 1 of each year, commencing May 1, 2007 through and including the maturity date of May 1, 2036. (General Fund Portion) | 1,993,000                             | -               | 58,193          | 1,934,807                              | 60,521                               |
| Installment note with the Bank of Southside Virginia, principal of \$109,400 entered into on August 11, 2009 with interest at 4.35 percent due monthly commencing September 11, 2009 until maturity on August 11, 2019.   | 62,500                                | -               | 11,132          | 51,368                                 | 11,505                               |
| General Obligation Refunding Bond, Series 2004A, with SunTrust Bank, principal amount of \$1,770,700, issued October 21, 2004, with interest at 3.21 percent due and payable in semi-annual installments on January 15 and July 15 commencing January 15, 2005 through and including the maturity date. Payments of principal will be due and payable in annual installments on July 15 of each year, commencing July 15, 2005 through and including the maturity date. (General Fund Portion)            | 329,006                               | -               | 162,073         | 166,933                                | 166,933                              |
| 2014 Lease with First Citizens Bank initiated on August 25, 2014 for three years at 1.20% maturing on August 25, 2017.  | -                                     | 129,103         | 35,397          | 93,706                                 | 42,946                               |
| Installment Purchase Contract with First Citizens Bank in the amount of \$60,166 entered into on September 28, 2012 with interest at 1.95% due and payable in monthly installments commencing November 1, 2012 and continuing to maturity on October 1, 2015.   | 25,497                                | -               | 20,348          | 5,149                                  | 5,149                                |
| Note with USDA; principal amount \$460,160 dated November 3, 2011; payments of \$4,607 beginning on December 3, 2011 through November 3, 2021 at 3.75%.   | 356,923                               | -               | 41,754          | 315,169                                | 44,150                               |
| General Obligation Bond, Series 2012B, with SunTrust Bank, principal amount of \$1,733,500 issued November 12, 2012 with interest at 3.86 percent due semi-annually on February 15 and August 15 of each year with an annual principal payment due on February 15 of each year.   | 1,674,500                             | -               | 61,500          | 1,613,000                              | 63,500                               |
| Note with BB&T, principal amount \$462,820 dated March 24, 2012 with monthly payments of \$5,846 beginning May 24, 2012 and ending April 24, 2019 of principal and interest at 1.69%.   | 325,367                               | -               | 65,156          | 260,211                                | 66,266                               |

|   | <u>Balance</u><br><u>July 1, 2014</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u><br><u>June 30, 2015</u> | <u>Due Within</u><br><u>One Year</u> |
|---|---------------------------------------|-----------------|-----------------|--|--------------------------------------|
| Capital lease with BB&T for the purchase of two police vehicles beginning on September 9, 2013 with monthly payments of \$1,707.58 ending on September 19, 2016 at 1.58%.   | 45,265                                | -               | 19,920          | 25,345                                 | 20,237                               |
| Note for boat launch and canoe/kayak launch, \$200,000 at 3.75% for 5 years commencing on November 20, 2013.  | 178,556                               | -               | 37,850          | 140,706                                | 39,302                               |
| Note with First Citizens Bank for public works equipment in the amount of \$126,282 at 1.85% for 60 months commencing December 2, 2013 with payments of \$2,205.16 per month.   | 114,172                               | -               | 24,557          | 89,615                                 | 25,015                               |
| General fund portion of GO Refunding Bond with Carter Bank and Trust for \$4,770,500 issued June 16, 2014 at 3.15%. Interest payments are due semiannually on January 15 and July 15 of each year with an annual principal payment due on July 15. Bond matures on July 15, 2034. | 91,594                                | -               | 2,994           | 88,600                                 | 3,514                                |
| Net pension liability   | -                                     | 1,500,217       | -               | 1,500,217                              | -                                    |
| Unfunded OPEB obligation  | 32,928                                | -               | 1,028           | 31,900                                 | -                                    |
| Compensated Absences - General Fund   | 349,733                               | 16,859          | -               | 366,592                                | -                                    |
| Total Governmental Activities   | 5,585,480                             | 1,646,179       | 546,462         | 6,685,197                              | 550,917                              |

#### Business-Type Activities

|   |           |           |         |           |         |
|---|-----------|-----------|---------|-----------|---------|
| General Obligation Refunding Bond, Series 2004A, with SunTrust Bank, principal amount of \$1,770,700, issued October 21, 2004, with interest at 3.21 percent due and payable in semi-annual installments on January 15 and July 15 commencing January 15, 2005 through and including the maturity date. Payments of principal will be due and payable in annual installments on July 15 of each year, commencing July 15, 2005 through and including the maturity date. (Utility Fund Portion)            | 31,093    | -         | 15,326  | 15,767    | 15,767  |
| General Obligation Bond Series 2014 at 3.1% payments of principal due annually on November 1 of each year and interest due semiannually May 1 and November 1, maturing November 1, 2034.  | -         | 1,712,000 | -       | 1,712,000 | 63,000  |
| General Obligation Refunding Bond, Series 2006 with Community National Bank, principal amount of \$7,560,000, issued June 15, 2006, with interest at 4.00 percent, subject to be reset in future years, interest due and payable in semi-annual installments on May 1 and November 1, commencing November 1, 2006. Principal shall be due and payable in annual installments on May 1 of each year, commencing May 1, 2007 through and including the maturity date of May 1, 2036. (Utility Fund Portion) | 4,411,242 | -         | 128,803 | 4,282,439 | 133,955 |
| USDA Rural Development General Obligation and Revenue Water System Bond, Series 2013A issued December 16, 2013 with a maximum face amount of \$9,000,000 at 2.375% interest payable over 40 years with the first two years having interest only with principal paid annually thereafter with interest paid semiannually.  | -         | 6,260,194 | -       | 6,260,194 | -       |

|  | <u>Balance</u><br><u>July 1, 2014</u> | <u>Increase</u>      | <u>Decrease</u>   | <u>Balance</u><br><u>June 30, 2015</u> | <u>Due Within</u><br><u>One Year</u> |
|--|---------------------------------------|----------------------|-------------------|--|--------------------------------------|
| Series 2012A General Obligation & Revenue Water System Bonds at 2 percent; interest only for first 24 months, paid annually then 456 monthly payments of \$5,769.  | 1,115,564                             | 721,436              | 34,656            | <b>1,802,344</b>                       | 33,488                               |
| Water and sewer portion of GO Refunding Bond with Carter Bank and Trust for \$4,770,500 issued June 16, 2014 at 3.15%. Interest payments are due semiannually on January 15 and July 15 of each year with an annual principal payment due on July 15. Bond matures on July 15, 2034. | 4,678,906                             | -                    | 236,506           | <b>4,442,400</b>                       | 179,486                              |
| Net pension liability  | -                                     | 353,606              | -                 | <b>353,606</b>                         | -                                    |
| Compensated Absences - Enterprise Fund   | <u>118,046</u>                        | <u>26,444</u>        | <u>-</u>          | <b><u>144,490</u></b>                  | <u>-</u>                             |
| Total Business-Type Activities   | <u>10,354,851</u>                     | <u>9,073,680</u>     | <u>415,291</u>    | <b><u>19,013,240</u></b>               | <u>425,696</u>                       |
| Total Primary Government   | <u>\$ 15,940,331</u>                  | <u>\$ 10,719,859</u> | <u>\$ 961,753</u> | <b><u>\$ 25,698,437</u></b>            | <u>\$ 976,613</u>                    |

## 10 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2015 is determined as follows:

|   | <u>Governmental</u><br><u>Activities</u> | <u>Business-</u><br><u>Type</u><br><u>Activities</u> |
|---|--|--|
| <b>Net Investment in Capital Assets</b> |  |  |
| Cost of capital assets                  | \$ 32,539,972                            | \$ 28,763,060  |
| Less: Accumulated depreciation          | <u>18,781,966</u>                        | <u>9,927,209</u>                                     |
| Book value                              | 13,758,006                               | 18,835,851   |
| Less: Capital related debt              | <u>6,286,705</u>                         | <u>18,868,750</u>                                    |
| Net Investment in Capital Assets        | <b><u>\$ 7,471,301</u></b>               | <b><u>\$ (32,899)</u></b>                            |

## 11 Deferred Inflows of Resources

This category of resources consists of resources that are not immediately available but will become available at a later date:

### Primary Government - Deferred Inflows of Resources

#### General Fund

|   |                |
|---|----------------|
| Delinquent taxes not collected within 60 days           | \$ 211,370     |
| Prepaid property taxes - property taxes paid in advance | <u>249,749</u> |

|   |                          |
|---|--------------------------|
| Total Deferred Inflows of Resources -<br>Governmental Funds | <b><u>\$ 461,119</u></b> |
|---|--------------------------|

## 12 Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The City pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The City continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 13 Commitments and Contingencies

Federal programs in which the City participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the 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.

## 14 Litigation

At June 30, 2015, there were no matters of litigation involving the City which would materially affect the City's financial position should any court decisions or pending matters not be favorable to such entities.

## 15 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

### *Computation of Legal Debt Margin*

|   |                       |
|---|-----------------------|
| Total Assessed Value of Taxed Real Estate       | <u>\$ 365,526,400</u> |
| Debt Limit - 10 Percent of Total Assessed Value | \$ 36,552,640         |
| Amount of Debt Applicable to Debt Limit         |                       |
| General obligation debt                         | <u>23,301,632</u>     |
| Legal Debt Margin                               | <u>\$ 13,251,008</u>  |

## 16 Surety Bond Information

The following constitutional and appointed officers are insured through the Commonwealth of Virginia, Department of the Treasury, and Division of Risk Management in effect at June 30, 2015:

|  |           |
|--|-----------|
| W. S. Harris, Jr., Treasurer             | \$500,000 |
| Joyce E. Prince, Commissioner of Revenue | 30,000    |
| Sam C. Brown, City Sheriff               | 30,000    |

Also, all employees, volunteers, and members of Council of the City of Emporia, Virginia are insured for \$100,000 through the Virginia Municipal League.

## 17 Pension Plan

### *Plan Description*

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by VRS Retirement Plan upon employment. This plan is 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 are paying 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 a 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:

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## RETIREMENT PLAN PROVISIONS

### PLAN 1

#### *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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

#### *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.

#### *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.

The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

### PLAN 2

#### *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. Employees are eligible for 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.

#### *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.

#### *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.

The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

### HYBRID RETIREMENT PLAN

#### *About the Hybrid Retirement Plan*

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

- 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.
- 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.

#### *Eligible Members*

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision 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

#### *\*Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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.

## **PLAN 1**

### ***Retirement Contributions***

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

### ***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.

### ***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.

Members are always 100% vested in the contributions that they make.

## **PLAN 2**

### ***Retirement Contributions***

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.

### ***Creditable Service***

Same as Plan 1.

### ***Vesting***

Same as Plan 1.

## **HYBRID RETIREMENT PLAN**

### ***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.

### ***Creditable Service***

#### **Defined Benefit Component:**

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.

#### **Defined Contributions Component:**

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

### ***Vesting***

#### **Defined Benefit Component:**

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.

#### **Defined Contributions Component:**

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.

Members are always 100% vested in the contributions that they make.



## PLAN 1

### *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.

### *Average Final Compensation*

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

### *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%.

**Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

**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.

## PLAN 2

### *Calculating the Benefit*

See definition under Plan 1.

### *Average Final Compensation*

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

### *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.

**Sheriffs and regional jail superintendents:** Same as Plan 1.

**Political subdivision hazardous duty employees:** Same as Plan 1.

## HYBRID RETIREMENT PLAN

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.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70 1/2.

### *Calculating the Benefit*

#### **Defined Benefit Component:**

See definition under Plan 1.

#### **Defined Contribution Component:**

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*

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

### *Service Retirement Multiplier*

#### **Defined Benefit Component:**

**VRS:** The retirement multiplier for the defined benefit component is 1.00%.

For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

**Sheriffs and regional jail superintendents:** Not applicable.

**Political subdivision hazardous duty employees:** Not applicable.

#### **Defined Contribution Component**

Not applicable.



**PLAN 1**  
**Normal Retirement Age**

**VRS:** Age 65.

**Political subdivisions hazardous duty employees:**  
Age 60.

***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.

**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.

***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.

**Political subdivisions hazardous duty employees:**  
Age 50 with at least five years of creditable service.

***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%.

***Eligibility:***

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

**PLAN 2**  
**Normal Retirement Age**

**VRS:** Normal Social Security retirement age.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

***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.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

***Earliest Reduced Retirement Eligibility***

**VRS:** Age 60 with at least five years (60 months) of creditable service.

**Political subdivisions hazardous duty employees:**  
Same as Plan 1.

***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%.

***Eligibility:***

Same as Plan 1

**HYBRID  
RETIREMENT PLAN**  
**Normal Retirement Age**

**Defined Benefit Component:**

**VRS:** Same as Plan 2.

**Political subdivisions hazardous duty employees:**  
Not applicable.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment subject to restrictions.

***Earliest Unreduced Retirement Eligibility***

**Defined Benefit Component:**

**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.

**Political subdivisions hazardous duty employees:**  
Not applicable.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment subject to restrictions.

***Earliest Reduced Retirement Eligibility***

**Defined Benefit Component:**

**VRS:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

**Political subdivisions hazardous duty employees:**  
Not applicable

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment subject to restrictions.

***Cost-of-Living Adjustment (COLA) in Retirement***

**Defined Benefit Component:**

Same as Plan 2

**Defined Contribution Component:**

Not applicable

***Eligibility:***

Same as Plan 1 and Plan 2

### **PLAN 1**

#### *Exceptions to COLA Effective Dates:*

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability 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.

#### ***Disability Coverage***

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

VSDP members 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 towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

### **PLAN 2**

#### *Exceptions to COLA Effective Dates:*

Same as Plan 1

#### ***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.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

#### ***Purchase of Prior Service***

Same as Plan 1

### **HYBRID RETIREMENT PLAN**

#### *Exceptions to COLA Effective Dates:*

Same as Plan 1 and Plan 2

#### ***Disability Coverage***

Employees of political subdivisions (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.

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***

#### **Defined Benefit Component:**

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.

#### **Defined Contribution Component:**

Not applicable

### ***Employees Covered by Benefit Terms***

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

|  | <u>Number</u> |
|--|---------------|
| Inactive members or their beneficiaries currently receiving benefits | 54            |
| Inactive members:  |               |
| Vested inactive members  | 14            |
| Non-vested inactive members  | 28            |
| Inactive members active elsewhere in VRS                             | <u>41</u>     |
| Total inactive members   | 83            |
| Active members   | <u>102</u>    |
| Total covered employees  | <u>239</u>    |

### ***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. 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.

**If the employer used the certified rate:** The political subdivision's contractually required contribution rate for the year ended June 30, 2015 was 12.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$508,460 and \$528,196 for the years ended June 30, 2015 and June 30, 2014, respectively.

### ***Net Pension Liability***

The political subdivisions net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

### **Actuarial Assumptions – General Employees**

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

|  |   |
|--|---|
| Inflation                                | 2.5 percent   |
| Salary increases, including<br>Inflation | 3.5 percent - 5.35 percent  |
| Investment rate of return                | 7.0 percent, net of pension plan investment<br>expense, including inflation * |

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

Mortality rates: 14% of deaths are assumed to be service related

#### **Largest 10 – Non-LEOS:**

##### **Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

##### **Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

##### **Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

#### **All Others (Non 10 Largest) – Non-LEOS:**

##### **Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

##### **Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

##### **Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**Actuarial Assumptions – Public Safety Employees**

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

|  |   |
|--|---|
| Inflation                                | 2.5 percent   |
| Salary increases, including<br>Inflation | 3.5 percent - 4.75 percent  |
| Investment rate of return                | 7.0 percent, net of pension plan investment<br>expense, including inflation * |

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

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

**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:

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

Inflation

\*Expected arithmetic nominal return

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

### **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, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, 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**

|  | <b>Total<br/>Pension<br/>Liability<br/>(a)</b> | <b>Increase (Decrease)<br/>Plan<br/>Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net<br/>Pension<br/>Liability<br/>(a) - (b)</b> |
|--|--|--|--|
| Balances at June 30, 2013  | \$ 21,867,130                                  | \$ 18,396,557  | \$ 3,470,573                                       |
| <b>Changes for the Year</b>                                      |  |  |  |
| Service cost   | 509,477  | -  | 509,477  |
| Interest   | 1,499,113                                      | -  | 1,499,113  |
| Differences between expected<br>and actual experience            | -  | -  | -  |
| Contributions - employer   | -  | 528,196  | (528,196)  |
| Contributions - employee   | -  | 214,325  | (214,325)  |
| Net investment income  | -  | 2,898,251  | (2,898,251)  |
| Benefit payments, including refunds<br>of employee contributions | (902,468)                                      | (902,468)  | -  |
| Administrative expenses  | -  | (15,585)   | 15,585   |
| Other changes  | -  | 153  | (153)  |
| Net Changes  | 1,106,122                                      | 2,722,872  | (1,616,750)  |
| Balances at June 30, 2014  | \$ 22,973,252                                  | \$ 21,119,429  | \$ 1,853,823                                       |

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

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's 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:



|                          | <u>1% Decrease</u><br><u>(6.00%)</u> | <u>Current Discount</u><br><u>(7.00%)</u> | <u>1% Increase</u><br><u>(8.00%)</u> |
|--------------------------|--------------------------------------|---|--------------------------------------|
| Political subdivision's  |                                      |   |                                      |
| Net Pension Liability \$ | 4,784,892 \$                         | 1,853,823 \$                              | (589,664)                            |

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2015, the political subdivision recognized pension expense of \$204,750. At June 30, 2015, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred Outflows</u><br><u>of Resources</u> | <u>Deferred Inflows</u><br><u>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience                               | \$ -  | \$ -   |
| Change in assumptions  | -   | -  |
| Net difference between projected and actual earnings on pension plan investments | -   | 1,293,304                                      |
| Employer contributions subsequent to the measurement date                        | <u>508,460</u>                                  | <u>-</u>                                       |
| Total  | <u>\$ 508,460</u>                               | <u>\$ 1,293,304</u>                            |

\$508,460 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended</u><br><u>June 30,</u> |              |
|--------------------------------------|--------------|
| 2016                                 | \$ (323,326) |
| 2017                                 | (323,326)    |
| 2018                                 | (323,326)    |
| 2019                                 | (323,326)    |
| Thereafter                           | -            |

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## 18 Other Postemployment Benefits (OPEB)–Healthcare

### *Plan Description*

#### **A. Health Plan Eligibility**

Future retirees of the City are not eligible for medical benefits. Current retirees and spouses who are currently receiving medical benefits may continue for the lifetime of the retiree. If the retiree predeceases the spouse, the spouse may continue coverage through COBRA only.

Health Benefits include medical, dental, and vision. Current retirees who are not eligible for Medicare may elect one of the following medical options:

- Anthem KA 500 (PPO)
- Anthem KA Expanded (PPO)

Current retirees who are Medicare eligible may only elect the Medicare supplement.

#### **B. Health Plan Benefits**

Coverage is for the retiree and eligible dependents. The monthly premiums below are for the year beginning July 1, 2015. Dental and vision are included in the premium.

| <u>Medical Option</u>         | <u>Retiree</u> | <u>Retiree and One Dependent</u> | <u>Retiree and Family</u> |
|-------------------------------|----------------|----------------------------------|---------------------------|
| Anthem KA 500                 | \$ 545         | \$ 1,008                         | \$ 1,472                  |
| Anthem KA 500 Preventive      | 532            | 984                              | 1,436                     |
| Anthem KA Expanded            | 647            | 1,197                            | 1,747                     |
| Anthem KA Expanded Preventive | 634            | 1,173                            | 1,712                     |
| Medicare Supplement           | 127            | 254                              | N/A                       |

#### **C. Employer Contributions**

Non-Medicare Eligible Retirees – The City contributes \$523.20 per month towards the retiree's elected coverage. The retiree must pay the remainder.

Medicare Eligible Retirees – The retiree must pay 100 percent of the premium cost.

#### **D. Disability Retirement Benefit**

There is no benefit.

#### **E. Death Benefit**

The Plan does not include a pre-retirement death benefit. If an employee dies prior to retirement, the employee's spouse may continue medical coverage through COBRA.

#### **F. Withdrawal Benefit**

The Plan does not include a withdrawal benefit.

**G. Benefit Service**

The Plan is closed to future retirees.

**H. Life Insurance**

The Plan offers retiree life insurance through VRS only. The life insurance benefit is fully paid up at retirement and is funded through VRS, so there is no GASB 45 liability.

**Cash and Cash Equivalents**

The City has not set aside funds to fund the liability.

**Funding Policy**

The City uses an unfunded approach using a discount rate of 4.0 percent with a 6-year amortization period. Amortization of the Unfunded Actuarial Accrued Liability is a level dollar amount.

**Actuarial Methods and Assumptions**

|                               |   |
|-------------------------------|---|
| Valuation Date                | June 30, 2014   |
| Actuarial Cost Method         | Projected Unit Credit   |
| Amortization Method           | Level Dollar  |
| Amortization Period           | 6 years (2 years remaining)   |
| Asset Valuation Method        | N/A   |
| Actuarial Assumptions         |   |
| Investment rate of return     | 3.5% annual returns net of both investment and non-actuarial administrative expenses.   |
| Medical Cost Trend Assumption | <i>Health:</i> Getzen Trend Model -<br>6.00% for 2014-2015<br>5.40% for 2015-2016<br>5.30% for 2015-2017<br>5.20% for 2017-2019 |
| Payroll Growth                | N/A   |

**Net OPEB Obligations and Annual OPEB Cost**

This summary identifies the value of benefits at June 30, 2015 and costs for the fiscal years through June 30, 2015 reflecting the unfunded approach, utilizing a discount rate of 4 percent (10-Year Phase In), and amortizing the Unfunded Actuarial Accrued Liability as a level dollar amount. A summary of the net OPEB obligation is as follows:

| <u>Fiscal Year Ended</u> | <u>Annual Required Contribution</u> | <u>Interest on OPEB Obligation</u> | <u>Adjustment to ARC</u> | <u>Net OPEB Cost at End of FY</u> | <u>Contributions for FY</u> | <u>Change in Net OPEB Obligation</u> | <u>Net OPEB Obligation End of FY</u> |
|--------------------------|-------------------------------------|------------------------------------|--------------------------|-----------------------------------|-----------------------------|--------------------------------------|--------------------------------------|
| 6/30/2010                | \$ 30,000                           | \$ -                               | \$ -                     | \$ 30,000                         | \$ 24,274                   | \$ 5,726                             | \$ 5,726                             |
| 6/30/2011                | 38,900                              | 229                                | (1,286)                  | 37,843                            | 27,390                      | 10,453                               | 16,179                               |
| 6/30/2012                | 37,900                              | 647                                | (4,457)                  | 34,090                            | 24,019                      | 10,071                               | 26,250                               |
| 6/30/2013                | 35,300                              | 1,050                              | (9,459)                  | 26,891                            | 22,499                      | 4,392                                | 30,642                               |
| 6/30/2014                | 44,800                              | 1,072                              | (16,130)                 | 29,742                            | 27,456                      | 2,286                                | 32,928                               |
| <b>6/30/2015</b>         | <b>61,300</b>                       | <b>1,152</b>                       | <b>(34,080)</b>          | <b>28,372</b>                     | <b>29,400</b>               | <b>(1,028)</b>                       | <b>31,900</b>                        |

#### Current Year Information

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|--------------------------|-------------------------|--|----------------------------|
| 6/30/2010                | \$ 30,000               | 80.91%                                     | \$ 24,274                  |
| 6/30/2011                | 37,843                  | 72.38%                                     | 27,390                     |
| 6/30/2012                | 34,090                  | 70.46%                                     | 24,019                     |
| 6/30/2013                | 26,891                  | 83.67%                                     | 22,499                     |
| 6/30/2014                | 29,742                  | 92.31%                                     | 27,456                     |
| <b>6/30/2015</b>         | <b>28,372</b>           | <b>103.62%</b>                             | <b>29,400</b>              |

#### Required Supplementary Information

| <u>Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Liability (AAL) - Projected Unit Credit (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u> |
|-----------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| 6/30/2010             | \$ -                                 | \$163,600  | \$163,600                        | 0.00%                     | \$ -                       | N/A  |
| 6/30/2011             | -                                    | 180,100  | 180,100                          | 0.00%                     | -                          | N/A  |
| <b>6/30/2014</b>      | <b>-</b>                             | <b>88,100</b>  | <b>88,100</b>                    | <b>0.00%</b>              | <b>-</b>                   | <b>N/A</b>   |

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## 19 Fund Balances – Governmental Funds

As of June 30, 2015, fund balances are composed of the following:

|                                   | <u>Primary Government</u><br><u>Emporia</u> |  | <u>Total</u>         |
|-----------------------------------|---|--|----------------------|
|                                   | <u>General</u>                              | <u>Redevelopment</u><br><u>and Housing</u> | <u>Governmental</u>  |
|                                   | <u>Fund</u>                                 | <u>Authority Fund</u>                      | <u>Funds</u>         |
| <b>Restricted for</b>             |   |  |                      |
| Fire program                      | \$ 157,011                                  | \$ -                                       | \$ 157,011           |
| Drug seizure                      | 49,912                                      | -  | 49,912               |
| Courthouse security               | 946,899                                     | -  | 946,899              |
| DHCD - rental assistance          | 4,837                                       | -  | 4,837                |
| Program income projects           | 2,727                                       | 33,777                                     | 36,504               |
| Citizens Bank building investment | -   | 1,436,071                                  | 1,436,071            |
|                                   | <u>1,161,386</u>                            | <u>1,469,848</u>                           | <u>2,631,234</u>     |
| <b>Assigned for</b>               |   |  |                      |
| Encumbrances                      | 23,208                                      | -  | 23,208               |
| <b>Unassigned</b>                 | <u>8,184,195</u>                            | <u>35,044</u>                              | <u>8,219,239</u>     |
| Total Fund Balances               | <u>\$9,368,789</u>                          | <u>\$ 1,504,892</u>                        | <u>\$ 10,873,681</u> |

## 20 Implementation of GASB Statement No. 65

The City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year ended June 30, 2015. These statements required changes in account captions in the Statement of Net Position and Governmental Funds Balance Sheet.

## 21 Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68—*Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

## 22 Prior Period Adjustment

Due to the implementation of GASB No. 68, prior period adjustments were made as follows:

|   | <b><u>Governmental<br/>Activities</u></b> | <b><u>Business-Type<br/>Activities</u></b> |
|---|---|--|
| Net pension liability, July 1           | \$ (1,500,217)                            | \$ (353,606)                               |
| Affect of prior year 2014 contributions | <u>(378,188)</u>                          | <u>(107,865)</u>                           |
| Total Prior Period Adjustment           | <u>\$ (1,878,405)</u>                     | <u>\$ (461,471)</u>                        |

# REQUIRED SUPPLEMENTARY INFORMATION



City of Emporia, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2015

General Fund

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance<br/>With<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| <b>Revenues</b>   |                            |                         |               |   |
| <b>General Property Taxes</b>                             |                            |                         |               |   |
| Real property taxes                                       | \$ 3,052,554               | \$ 3,052,554            | \$ 2,953,472  | \$ (99,082)   |
| Personal property taxes                                   | 1,080,000                  | 1,080,000               | 1,472,067     | 392,067   |
| Public service corporation property taxes                 | 185,000                    | 185,000                 | 188,397       | 3,397   |
| Delinquent taxes  | 100,000                    | 100,000                 | 327,560       | 227,560   |
| Penalties and interest on taxes                           | 50,000                     | 50,000                  | 60,524        | 10,524  |
| Total General Property Taxes                              | 4,467,554                  | 4,467,554               | 5,002,020     | 534,466   |
| <b>Other Local Taxes</b>                                  |                            |                         |               |   |
| Local sales and use taxes                                 | 1,365,000                  | 1,365,000               | 1,596,480     | 231,480   |
| Consumers' utility taxes                                  | 395,000                    | 395,000                 | 392,810       | (2,190)   |
| Business license taxes                                    | 715,000                    | 715,000                 | 739,855       | 24,855  |
| Motor vehicle licenses                                    | 115,000                    | 115,000                 | 112,632       | (2,368)   |
| Bank stock taxes  | 120,000                    | 120,000                 | 167,200       | 47,200  |
| Tax on recordation and wills                              | 25,000                     | 25,000                  | 10,858        | (14,142)  |
| Lodging taxes   | 1,020,000                  | 1,020,000               | 1,256,854     | 236,854   |
| Meals taxes   | 1,690,000                  | 1,690,000               | 1,833,497     | 143,497   |
| Emergency 911 taxes                                       | 265,000                    | 265,000                 | 267,654       | 2,654   |
| Total Other Local Taxes                                   | 5,710,000                  | 5,710,000               | 6,377,840     | 667,840   |
| <b>Permits, Privilege Fees, and Regulatory Licenses</b>   |                            |                         |               |   |
| Animal licenses   | 2,000                      | 2,000                   | 2,130         | 130   |
| Planning and zoning                                       | 2,000                      | 2,000                   | 2,840         | 840   |
| Building permits  | 7,800                      | 7,800                   | 11,469        | 3,669   |
| Other permits, licenses, and fees                         | 500                        | 500                     | 1,310         | 810   |
| Total Permits, Privilege Fees, and<br>Regulatory Licenses | 12,300                     | 12,300                  | 17,749        | 5,449   |
| <b>Fines and Forfeitures</b>                              | 1,135,000                  | 1,190,000               | 1,183,297     | (6,703)   |
| <b>Revenue from Use of Money and Property</b>             |                            |                         |               |   |
| Revenue from use of money                                 | 33,500                     | 33,500                  | 36,866        | 3,366   |
| Revenue from use of property                              | 1,000                      | 1,000                   | 13,702        | 12,702  |
| Total Revenue from Use of Money<br>and Property           | 34,500                     | 34,500                  | 50,568        | 16,068  |

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>    | <u>Variance<br/>With<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|------------------|---|
| <b>Charges for Services</b>                      |                            |                         |                  |   |
| Charges for fire services                        | 122,000                    | 124,755                 | 150,315          | 25,560  |
| Charges for animal control                       | -                          | -                       | 60               | 60  |
| Charges for sanitation and waste removal         | <u>807,500</u>             | <u>807,500</u>          | <u>811,306</u>   | <u>3,806</u>  |
| Total Charges for Services                       | 929,500                    | 932,255                 | 961,681          | 29,426  |
| <b>Recovered Costs</b>                           |                            |                         |                  |   |
| From Greensville County, Virginia                | 249,958                    | 249,958                 | 370,835          | 120,877   |
| Other recovered costs                            | <u>279,595</u>             | <u>279,595</u>          | <u>155,796</u>   | <u>(123,799)</u>  |
| Total Recovered Costs                            | 529,553                    | 529,553                 | 526,631          | (2,922)   |
| <b>Miscellaneous</b>                             | <u>309,977</u>             | <u>842,923</u>          | <u>174,831</u>   | <u>(668,092)</u>  |
| Total Miscellaneous                              | 309,977                    | 842,923                 | 174,831          | (668,092)   |
| <b>Intergovernmental</b>                         |                            |                         |                  |   |
| <i>Revenue from the Commonwealth of Virginia</i> |                            |                         |                  |   |
| <i>Noncategorical Aid</i>                        |                            |                         |                  |   |
| Auto rental taxes                                | 25,000                     | 25,000                  | 32,090           | 7,090   |
| Rolling stock taxes - motor vehicle carriers tax | 12,000                     | 12,000                  | 12,810           | 810   |
| Personal Property Tax Relief                     | 570,319                    | 570,319                 | 570,320          | 1   |
| Recordation and grantors' tax - State            | <u>5,000</u>               | <u>5,000</u>            | <u>7,823</u>     | <u>2,823</u>  |
| Total Noncategorical Aid                         | 612,319                    | 612,319                 | 623,043          | 10,724  |
| <i>Categorical Aid</i>                           |                            |                         |                  |   |
| Shared Expenses                                  |                            |                         |                  |   |
| Sheriff  | 142,137                    | 142,137                 | 139,300          | (2,837)   |
| Commissioner of the Revenue                      | 63,981                     | 63,981                  | 64,329           | 348   |
| Treasurer  | 64,463                     | 64,463                  | 62,203           | (2,260)   |
| Registrar/Electoral Board                        | 28,232                     | 28,232                  | 29,017           | 785   |
| Law enforcement grants                           | 257,671                    | 289,727                 | 286,133          | (3,594)   |
| State sales tax - education                      | 1,013,043                  | 1,056,532               | 1,056,532        | -   |
| Street and highway maintenance                   | 1,480,297                  | 1,486,654               | 1,107,165        | (379,489)   |
| Family violence prevention                       | 108,650                    | 108,650                 | 137,744          | 29,094  |
| Virginia Juvenile Community Crime Control        | 100,598                    | 100,598                 | 98,322           | (2,276)   |
| Criminal justice service - Victim Witness        | 56,618                     | 58,317                  | 58,317           | -   |
| Other State funds                                | <u>1,082,420</u>           | <u>1,119,797</u>        | <u>115,003</u>   | <u>(1,004,794)</u>  |
| Total Categorical Aid                            | <u>4,398,110</u>           | <u>4,519,088</u>        | <u>3,154,065</u> | <u>(1,365,023)</u>  |
| Total Revenue from the Commonwealth of Virginia  | 5,010,429                  | 5,131,407               | 3,777,108        | (1,354,299)   |



|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance<br/>With<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| <b>Revenue from the Federal Government</b>  |                            |                         |               |   |
| Department of Health - Sexual Assault Grant | 55,553                     | 55,553                  | 46,397        | (9,156)   |
| Other Federal funds                         | 1,169,091                  | 1,191,588               | 304,815       | (886,773)   |
| Total Revenue from the Federal Government   | 1,224,644                  | 1,247,141               | 351,212       | (895,929)   |
| Total Intergovernmental Revenues            | 6,235,073                  | 6,378,548               | 4,128,320     | (2,250,228)   |
| Total Revenues                              | 19,363,457                 | 20,097,633              | 18,422,937    | (1,674,696)   |
| <b>Expenditures</b>                         |                            |                         |               |   |
| <b>Current</b>                              |                            |                         |               |   |
| <i>General Government Administration</i>    |                            |                         |               |   |
| Legislative                                 | 182,530                    | 182,671                 | 177,093       | 5,578   |
| City Manager                                | 487,593                    | 544,393                 | 515,740       | 28,653  |
| Legal services                              | 48,900                     | 48,900                  | 30,822        | 18,078  |
| Commissioner of Revenue                     | 220,682                    | 220,848                 | 218,688       | 2,160   |
| Equalization Board                          | 41,137                     | 41,137                  | 35,321        | 5,816   |
| Treasurer                                   | 105,924                    | 106,031                 | 103,887       | 2,144   |
| Director of Finance                         | 207,506                    | 220,949                 | 216,574       | 4,375   |
| Data processing                             | 27,500                     | 30,202                  | 30,201        | 1   |
| Board of Elections                          | 80,358                     | 80,358                  | 66,891        | 13,467  |
| Total General Government Administration     | 1,402,130                  | 1,475,489               | 1,395,217     | 80,272  |
| <i>Judicial Administration</i>              |                            |                         |               |   |
| Circuit Court - shared services             | 2,118,013                  | 2,198,338               | 2,197,744     | 594   |
| Juvenile and Domestic Relations Court       | 189,760                    | 189,760                 | 187,155       | 2,605   |
| Sheriff                                     | 252,791                    | 252,791                 | 240,297       | 12,494  |
| Family violence                             | 164,203                    | 175,682                 | 195,380       | (19,698)  |
| Victim Witness                              | 61,292                     | 63,174                  | 61,664        | 1,510   |
| VJCCC Grant                                 | 109,515                    | 109,823                 | 107,239       | 2,584   |
| Total Judicial Administration               | 2,895,574                  | 2,989,568               | 2,989,479     | 89  |
| <i>Public Safety</i>                        |                            |                         |               |   |
| Police Department                           | 2,954,544                  | 3,077,901               | 3,036,615     | 41,286  |
| Volunteer Fire Department                   | 244,913                    | 432,053                 | 277,346       | 154,707   |
| Ambulance and rescue service                | 16,160                     | 20,740                  | 20,739        | 1   |
| Animal control                              | 119,069                    | 119,069                 | 103,212       | 15,857  |
| Emergency services                          | 128,994                    | 144,550                 | 131,050       | 13,500  |
| Total Public Safety                         | 3,463,680                  | 3,794,313               | 3,568,962     | 225,351   |

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u> | <u>Variance<br/>With<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| <i>Public Works</i>                                     |                            |                         |               |   |
| Maintenance of highways, streets, bridges,<br>sidewalks | 1,467,851                  | 1,445,151               | 990,077       | 455,074   |
| Refuse collection                                       | 717,385                    | 752,024                 | 735,402       | 16,622  |
| Engineering   | 119,040                    | 119,367                 | 119,596       | (229)   |
| City Shop   | 169,823                    | 170,265                 | 167,973       | 2,292   |
| General buildings and grounds                           | 183,549                    | 253,968                 | 241,783       | 12,185  |
| Total Public Works                                      | 2,657,648                  | 2,740,775               | 2,254,831     | 485,944   |
| <i>Health and Welfare</i>                               |                            |                         |               |   |
| Local health  | 77,972                     | 77,972                  | 77,971        | 1   |
| Mental Health and Mental Retardation                    | 39,471                     | 39,471                  | 39,471        | -   |
| Comprehensive services                                  | 104,034                    | 149,034                 | 149,034       | -   |
| Mosquito control  | 4,442                      | 4,442                   | 3,261         | 1,181   |
| Welfare and social services                             | 185,348                    | 185,348                 | 185,348       | -   |
| Total Health and Welfare                                | 411,267                    | 456,267                 | 455,085       | 1,182   |
| <i>Education</i>  |                            |                         |               |   |
| Superintendent  | 500                        | 500                     | 500           | -   |
| Contract services (shared costs)                        | 4,433,301                  | 4,476,790               | 4,408,671     | 68,119  |
| Community Colleges                                      | 1,179                      | 1,179                   | 1,179         | -   |
| Total Education   | 4,434,980                  | 4,478,469               | 4,410,350     | 68,119  |
| <i>Parks, Recreation, and Cultural</i>                  |                            |                         |               |   |
| Parks and recreation                                    | 189,266                    | 184,266                 | 175,038       | 9,228   |
| Regional library  | 94,535                     | 94,535                  | 94,535        | -   |
| Total Parks, Recreation, and Cultural                   | 283,801                    | 278,801                 | 269,573       | 9,228   |
| <i>Community Development</i>                            |                            |                         |               |   |
| Zoning Board  | 427,719                    | 428,655                 | 374,406       | 54,249  |
| Economic development                                    | 2,709,136                  | 2,737,679               | 956,828       | 1,780,851   |
| Airport Commission                                      | 64,775                     | 64,775                  | 64,160        | 615   |
| Cooperative Extension Program                           | 37,234                     | 37,234                  | 35,049        | 2,185   |
| Total Community Development                             | 3,238,864                  | 3,268,343               | 1,430,443     | 1,837,900   |
| <i>Debt Service</i>                                     |                            |                         |               |   |
|   | 708,309                    | 705,404                 | 695,292       | 10,112  |
| Total Expenditures                                      | 19,496,253                 | 20,187,429              | 17,469,232    | 2,718,197   |
| Excess (Deficiency) of Revenues Over Expenditures       | (132,796)                  | (89,796)                | 953,705       | 1,043,501   |

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance<br/>With<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| <b>Other Financing Sources (Uses)</b>    |                            |                         |                     |   |
| Transfers in (out) from (to) other funds | -                          | (43,000)                | 83,587              | 126,587   |
| Proceeds of debt                         | <u>132,796</u>             | <u>132,796</u>          | <u>129,103</u>      | <u>(3,693)</u>  |
| Total Other Financing Sources (Uses)     | <u>132,796</u>             | <u>89,796</u>           | <u>212,690</u>      | <u>122,894</u>  |
| Net Change in Fund Balance               | <u>\$ -</u>                | <u>\$ -</u>             | 1,166,395           | <u>\$ 1,166,395</u>   |
| Fund Balance - Beginning of Year         |                            |                         | 8,303,759           |   |
| Change in Reserve for Encumbrances       |                            |                         | <u>17,575</u>       |   |
| Fund Balance - End of Year               |                            |                         | <u>\$ 9,487,729</u> |   |

Emporia Redevelopment and Housing Authority Fund

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance<br/>With<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|--|----------------------------|-------------------------|---------------------|---|
| <b>Revenues</b>                                      |                            |                         |                     |   |
| Recovered costs                                      | \$ 4,849                   | \$ 4,849                | \$ 3,929            | \$ (920)  |
| Use of money and property                            | 275                        | 275                     | 304                 | 29  |
| Other revenue  | <u>100,047</u>             | <u>100,047</u>          | <u>-</u>            | <u>(100,047)</u>  |
| Total Revenues                                       | 105,171                    | 105,171                 | 4,233               | (100,938)   |
| <b>Expenditures</b>                                  |                            |                         |                     |   |
| Community Development                                | <u>105,171</u>             | <u>105,171</u>          | <u>53,969</u>       | <u>51,202</u>   |
| Excess (Deficiency) of Revenues<br>Over Expenditures | -                          | -                       | (49,736)            | (49,736)  |
| <b>Other Financing Sources (Uses)</b>                |                            |                         |                     |   |
| Transfer from General Fund                           | <u>-</u>                   | <u>-</u>                | <u>(83,587)</u>     | <u>(83,587)</u>   |
| Change in Fund Balance                               | <u>\$ -</u>                | <u>\$ -</u>             | (133,323)           | <u>\$ (133,323)</u>   |
| Fund Balance - Beginning of Year                     |                            |                         | <u>1,638,215</u>    |   |
| Fund Balance - End of Year                           |                            |                         | <u>\$ 1,504,892</u> |   |

## City of Emporia, Virginia

### Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios

Year Ended June 30, 2015

**2014**

**Total pension liability**

|   |                             |
|---|-----------------------------|
| Service cost  | \$ 509,477                  |
| Interest  | 1,499,113                   |
| Changes of benefit terms                                      | -                           |
| Differences between expected and actual experience            | -                           |
| Changes in assumptions  | -                           |
| Benefit Payments, including refunds of employee contributions | (902,468)                   |
| <b>Net change in total pension liability</b>                  | <b>1,106,122</b>            |
| <b>Total pension liability - beginning</b>                    | <b>21,867,130</b>           |
| <b>Total pension liability - ending (a)</b>                   | <b><u>\$ 22,973,252</u></b> |

**Plan fiduciary net position**

|   |                             |
|---|-----------------------------|
| Contributions - employer                                      | \$ 528,196                  |
| Contributions - employee                                      | 214,325                     |
| Net investment income   | 2,898,251                   |
| Benefit Payments, including refunds of employee contributions | (902,468)                   |
| Administrative expense  | (15,585)                    |
| Other   | 153                         |
| <b>Net change in plan fiduciary net position</b>              | <b>2,722,872</b>            |
| <b>Plan fiduciary net position - beginning</b>                | <b>18,396,557</b>           |
| <b>Plan fiduciary net position - ending (b)</b>               | <b><u>\$ 21,119,429</u></b> |

|   |                            |
|---|----------------------------|
| <b>Political subdivision's net pension liability - ending (a) - (b)</b> | <b><u>\$ 1,853,823</u></b> |
|---|----------------------------|

|   |              |
|---|--------------|
| <b>Plan fiduciary net position as a percentage of the total Pension liability</b> | <b>8.07%</b> |
|---|--------------|

|                                  |                     |
|----------------------------------|---------------------|
| <b>Covered--employee payroll</b> | <b>\$ 4,140,695</b> |
|----------------------------------|---------------------|

|  |               |
|--|---------------|
| <b>Political subdivision's net pension liability as a percentage of covered-employee payroll</b> | <b>44.77%</b> |
|--|---------------|

**City of Emporia, Virginia**

**Schedule of Employer Contributions**

For the Year Ended June 30, 2015

| <b>Date</b> | <b>Contributions in</b>                                    |  |   | <b>Contributions</b>   |   |
|-------------|--|--|---|--|---|
|             | <b>Contractually<br/>Required<br/>Contribution<br/>(1)</b> | <b>Relation to<br/>Contractually<br/>Required<br/>Contribution<br/>(2)</b> | <b>Contribution<br/>Deficiency<br/>(Excess)<br/>(3)</b> | <b>Employer's<br/>Covered<br/>Employee<br/>Payroll<br/>(4)</b> | <b>as a % of<br/>Covered<br/>Employee<br/>Payroll<br/>(5)</b> |
| 2015        | \$ 508,460   | \$ 508,460   | \$ -  | \$ 4,140,695   | 12.3%   |

**For Reference Only:**

Column 1 – Employer contribution rate multiplied by the employer's covered employee payroll

Column 2 – Actual employer contribution remitted to VRS

Column 3 – Employer's covered employee payroll amount for the fiscal year ended June 30, 2015

## City of Emporia, Virginia

### Notes to Required Supplemental Information

For the Year Ended June 30, 2015

**Changes of benefit terms** – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

**Changes of assumptions** – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

**Largest 10 – Non-LEOS:**

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**Largest 10 – LEOS:**

- Update mortality table
- Decrease in male rates of disability

**All Others (Non 10 Largest) – Non-LEOS:**

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

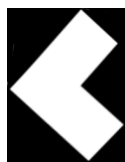
**All Others (Non 10 Largest) – LEOS**

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

# COMPLIANCE SECTION







**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP  
Scott A. Thompson, CPA, CGMA*

*James A. Allen, Jr., CPA  
Nadine L. Chase, CPA  
Kimberly W. Jackson, CPA*

*Sherwood H. Creedle, Emeritus*

*Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

## **INDEPENDENT AUDITOR'S 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 City Council  
City of Emporia, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *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, and each major fund of the City of Emporia, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Emporia, Virginia's basic financial statements, and have issued our report thereon dated March 21, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Emporia, 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 Emporia, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Emporia, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Emporia, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

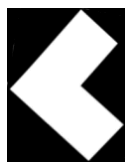
### Purpose of this Report

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.

*Creedle, Jones & Alga, P.C.*

Creedle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
March 21, 2016



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Robin B. Jones, CPA, CFP  
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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the City Council  
City of Emporia, Virginia

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Emporia, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Emporia, Virginia's major federal programs for the year ended June 30, 2015. City of Emporia, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

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

Our responsibility is to express an opinion on compliance for each of the City of Emporia, 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, OMB Circular A-133, and specifications require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Emporia, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### **Opinion on Each Major Federal Program**

In our opinion, the City of Emporia, 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, 2015.

### Report on Internal Control Over Compliance

Management of the City of Emporia, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Emporia, 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Emporia, 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Creedle, Jones & Alga, P.C.*

Creedle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
March 21, 2016

**City of Emporia, Virginia**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

| <b>Federal Granting Agency/Recipient State Agency/<br/>Grant Program</b> | <b>Federal<br/>Catalog<br/>Number</b> | <b>State<br/>Agency<br/>Number</b> | <b>Expenditures</b> |
|--|---------------------------------------|------------------------------------|---------------------|
| <b>U. S. Department of Transportation</b>                                |                                       |                                    |                     |
| <b>Pass-Through Payments</b>   |                                       |                                    |                     |
| <i>Virginia Department of Transportation</i>                             |                                       |                                    |                     |
| Federal Aid Projects   | 20.205                                | 501                                | \$ 26,271           |
| Subtotal - U. S. Department of Transportation                            |                                       |                                    | 26,271              |
| <b>U. S. Department of Housing and Urban Development</b>                 |                                       |                                    |                     |
| <b>Pass-Through Payments</b>   |                                       |                                    |                     |
| <i>Office of Community Planning and Development</i>                      |                                       |                                    |                     |
| Community Development Block Grants/State's Programs                      | 14.228                                | 165                                | 302,579             |
| Subtotal - U. S. Department of Housing and Urban<br>Development          |                                       |                                    | 302,579             |
| <b>U. S. Department of Homeland Security</b>                             |                                       |                                    |                     |
| <b>Pass-Through Payments</b>   |                                       |                                    |                     |
| <i>Commonwealth of Virginia Department of Emergency Management</i>       |                                       |                                    |                     |
| Emergency Management Performance Grants                                  |                                       |                                    |                     |
| Local Emergency Management Performance Grant 2014 LEMPG                  | 97.042                                | 127                                | 10,285              |
| Hazard Mitigation Grant Program  | 97.039                                | 127                                | 39,877              |
| 2014 State Homeland Security Program                                     | 97.067                                | 127                                | 4,825               |
| Subtotal - U. S. Department of Homeland Security                         |                                       |                                    | 54,987              |
| <b>U. S. Department of Justice</b>                                       |                                       |                                    |                     |
| <b>Direct Payments</b>   |                                       |                                    |                     |
| <i>Bureau of Justice Assistance</i>                                      |                                       |                                    |                     |
| Bulletproof Vest Partnership   | 16.607                                | N/A                                | 1,623               |
| <b>Pass-Through Payments</b>   |                                       |                                    |                     |
| <i>Commonwealth of Virginia Department of Criminal Justice Services</i>  |                                       |                                    |                     |
| Byrne Justice Assistance Grant, 14-H1216LO13                             | 16.738                                | 140                                | 8,460               |
| Sexual Assault Grant Program 15-P3465SA14                                | 16.575                                | 140                                | 32,550              |
| Sexual Assault Grant Program 15-B3123SP14                                | 16.017                                | 140                                | 5,934               |
| Subtotal - U. S. Department of Justice                                   |                                       |                                    | 48,567              |
| <b>U.S. Department of Agriculture</b>                                    |                                       |                                    |                     |
| <b>Direct Payments</b>   |                                       |                                    |                     |
| <i>Rural Utilities Service</i>   |                                       |                                    |                     |
| Direct Loans   | 10.760                                | N/A                                | 6,952,367           |
| Subtotal - U. S. Department of Agriculture                               |                                       |                                    | 6,952,367           |
| Grand Totals   |                                       |                                    | \$ 7,384,771        |

## Notes to Schedule of Expenditures of Federal Awards

### 1. Significant Accounting Policies

#### *Basis of Presentation and Accounting*

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

*Federal Financial Assistance* – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

*Direct Payments* – Assistance received directly from the Federal government is classified as direct payments on the Schedule of Expenditures of Federal Awards.

*Pass-through Payments* – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

*Major Programs* – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the City were determined using a risk-based approach in accordance with OMB Circular A-133.

*Catalog of Federal Domestic Assistance* – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

*Cluster of Programs* – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs.

## 2. 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  | \$ 351,212              |
| State Revenues - Pass-Through Funds   |                         |
| VDOT Federal Aid Projects   | 26,271                  |
| Department of Emergency Management Funds  | 54,921                  |
| USDA Direct Loans   | <u>6,952,367</u>        |
| Total Primary Government  | <u>7,384,771</u>        |
| <br>Total Federal Expenditures per Basic Financial Statements                     | <br><u>\$ 7,384,771</u> |
| <br>Total Federal Expenditures per the Schedule of Expenditures of Federal Awards | <br><u>\$ 7,384,771</u> |

## City of Emporia, Virginia

### Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

#### 1. SUMMARY OF AUDITOR'S RESULTS

- a. The auditor's report expresses an **unmodified opinion** on the financial statements of City of Emporia, Virginia.
- b. **No deficiencies** relating to the audit of the financial statements are reported in the Independent Auditor's 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*.
- c. **No instances of noncompliance** material to the financial statements of City of Emporia, Virginia were disclosed during the audit.
- d. **No deficiencies** relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
- e. The auditor's report on compliance for the major federal award programs for City of Emporia, Virginia expresses an **unmodified opinion** on all major federal programs.
- f. There were **no audit findings** relative to the major federal award programs for City of Emporia, Virginia to be reported in this schedule.
- g. The programs tested as major programs included:
  - CFDA #14.228, Community Development Block Grants/State's Programs**
  - CFDA #10.760, Rural Utilities Service**
- h. The **threshold for** distinguishing Types A and B programs was **\$300,000**.
- i. City of Emporia, Virginia was determined to be a **low-risk auditee**.

#### 2. Findings Relating to the Financial Statements Reported in Accordance With *Government Auditing Standards*

None

#### 3. Findings and Questioned Costs Relating to Federal Awards

None



**City of Emporia, Virginia**

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2015

**FINANCIAL STATEMENTS**

There were no prior audit findings.