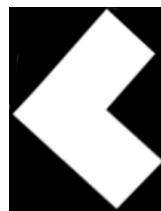


City of Emporia, Virginia
Annual Comprehensive Financial Report
Year Ended June 30, 2021



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

City of Emporia, Virginia

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FINANCIAL SECTION





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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Emporia, Virginia

Report on the Audit of the Financial Statements

Opinions

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 (including its blended component units), as of and for the year ended June 30, 2021, 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.

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 (including its blended component units), as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Emporia, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Emporia, Virginia's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial doubt likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Emporia, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Emporia, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-8, 59-64, and 65-72 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 February 3, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Emporia, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Emporia, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Associates, P.C.

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

South Hill, Virginia
February 3, 2023

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, 2021. We encourage readers to read this discussion and analysis in conjunction with the City's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the City's governmental activities exceeded its liabilities and deferred inflows of resources by \$21,301,467. Of this amount, \$10,089,178 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$4,078,841 with an unrestricted balance of \$2,386,965.
- The City's total net position decreased by \$126,373 during the current fiscal year. Of this amount, a decrease of \$51,404 is related to governmental activities and a decrease of \$74,969 is attributed to business-type activities.
- As of June 30, 2021, the City's Governmental Funds reported combined ending fund balances of \$13,716,910, a decrease of \$760,783 in comparison with the prior year. Approximately 89.7% of this amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of fiscal year 2021, the General Fund unassigned fund balance was \$12,307,524, or approximately 56.1% of total general fund expenditures.

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, Emporia Redevelopment and Housing Authority Fund, and Emporia Industrial Development Authority, 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 custodial funds. Custodial 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.

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, 2021 and 2020

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Current and other assets	\$ 17,230,827	\$ 15,483,643	\$ 11,483,825	\$ 4,172,763	\$ 28,714,652	\$ 19,656,406
Capital assets (net)	<u>15,011,058</u>	<u>14,048,124</u>	<u>27,879,246</u>	<u>24,633,606</u>	<u>42,890,304</u>	<u>38,681,730</u>
Total Assets	<u>32,241,885</u>	<u>29,531,767</u>	<u>39,363,071</u>	<u>28,806,369</u>	<u>71,604,956</u>	<u>58,338,136</u>
Deferred Outflows of Resources	<u>1,726,623</u>	<u>1,095,911</u>	<u>328,882</u>	<u>215,037</u>	<u>2,055,505</u>	<u>1,310,948</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 33,968,508</u>	<u>\$ 30,627,678</u>	<u>\$ 39,691,953</u>	<u>\$ 29,021,406</u>	<u>\$ 73,660,461</u>	<u>\$ 59,649,084</u>
Liabilities						
Other liabilities	\$ 3,259,061	\$ 939,524	\$ 1,230,205	\$ 470,105	\$ 4,489,266	\$ 1,409,629
Long-term liabilities	<u>9,340,389</u>	<u>7,996,436</u>	<u>34,370,036</u>	<u>24,331,539</u>	<u>43,710,425</u>	<u>32,327,975</u>
Total Liabilities	<u>12,599,450</u>	<u>8,935,960</u>	<u>35,600,241</u>	<u>24,801,644</u>	<u>48,199,691</u>	<u>33,737,604</u>
Deferred Inflows of Resources	<u>67,591</u>	<u>338,847</u>	<u>12,871</u>	<u>65,952</u>	<u>80,462</u>	<u>404,799</u>
Net Position						
Net investment in capital assets	9,843,569	8,924,973	1,691,876	2,231,225	11,535,445	11,156,198
Restricted	<u>1,368,720</u>	<u>1,310,309</u>	-	-	<u>1,368,720</u>	<u>1,310,309</u>
Unrestricted	<u>10,089,178</u>	<u>11,117,589</u>	<u>2,386,965</u>	<u>1,922,585</u>	<u>12,476,143</u>	<u>13,040,174</u>
Total Net Position	<u>21,301,467</u>	<u>21,352,871</u>	<u>4,078,841</u>	<u>4,153,810</u>	<u>25,380,308</u>	<u>25,506,681</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 33,968,508</u>	<u>\$ 30,627,678</u>	<u>\$ 39,691,953</u>	<u>\$ 29,021,406</u>	<u>\$ 73,660,461</u>	<u>\$ 59,649,084</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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,380,308 at June 30, 2021. A large portion of the reporting entity's net position, \$11,535,445 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 \$12,476,143.

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, 2021 and 2020

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Program Revenues						
Charges for services	\$ 2,080,800	\$ 1,877,677	\$ 4,221,262	\$ 3,561,759	\$ 6,302,062	\$ 5,439,436
Operating grants and contributions	4,683,388	4,385,954	-	-	4,683,388	4,385,954
General Revenues						
General property taxes, real and personal	4,903,726	5,636,173	-	-	4,903,726	5,636,173
Other taxes	6,433,396	6,337,377	-	-	6,433,396	6,337,377
Grants and contributions not restricted to specific programs	873,678	842,146	-	-	873,678	842,146
Unrestricted revenues from use of money and property	175,224	165,346	-	-	175,224	165,346
Investment earnings	81,757	169,231	18,969	57,826	100,726	227,057
Miscellaneous	204,851	64,057	5,686	3,965	210,537	68,022
Total Revenues	19,436,820	19,477,961	4,245,917	3,623,550	23,682,737	23,101,511
Expenses						
General government administration	1,809,849	1,881,871	-	-	1,809,849	1,881,871
Judicial administration	3,816,780	3,665,371	-	-	3,816,780	3,665,371
Public safety	3,822,125	4,171,616	-	-	3,822,125	4,171,616
Public works	3,876,814	2,992,303	-	-	3,876,814	2,992,303
Health and welfare	506,838	571,803	-	-	506,838	571,803
Education	3,880,359	4,975,171	-	-	3,880,359	4,975,171
Parks, recreation, and cultural	397,187	357,301	-	-	397,187	357,301
Community development	1,211,142	1,781,944	-	-	1,211,142	1,781,944
Water and sewer	-	-	3,261,038	2,756,176	3,261,038	2,756,176
Interest on long-term debt	147,165	135,005	1,079,813	645,655	1,226,978	780,660
Total Expenses	19,468,259	20,532,385	4,340,851	3,401,831	23,809,110	23,934,216
Increase (Decrease) in Net Position Before Transfers	(31,439)	(1,054,424)	(94,934)	221,719	(126,373)	(832,705)
Transfers	(19,965)	-	19,965	-	-	-
Change in Net Position	(51,404)	(1,054,424)	(74,969)	221,719	(126,373)	(832,705)
Beginning Net Position	21,352,871	22,407,295	4,153,810	3,932,091	25,506,681	26,339,386
Ending Net Position	\$ 21,301,467	\$ 21,352,871	\$ 4,078,841	\$ 4,153,810	\$ 25,380,308	\$ 25,506,681

Governmental activities decreased the City's net position by \$51,404 for fiscal year 2021. Revenues from governmental activities totaled \$19,436,820. Other taxes comprise the largest source of these revenues, totaling \$6,433,396 or 33.1% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$19,468,259. Education was the City's largest program with expenses totaling \$3,880,359. Public works, which totals \$3,876,814, 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, 2021 and 2020

	<u>2021</u>		<u>2020</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 1,809,849	\$ (1,636,769)	\$ 1,881,871	\$ (1,700,158)
Judicial administration	3,816,780	(3,390,520)	3,665,371	(3,647,126)
Public safety	3,822,125	(1,226,173)	4,171,616	(1,730,371)
Public works	3,876,814	(1,612,416)	2,992,303	(616,567)
Health and welfare	506,838	(506,838)	571,803	(571,803)
Education	3,880,359	(2,654,001)	4,975,171	(3,771,339)
Parks, recreation, and cultural	397,187	(392,687)	357,301	(352,801)
Community development	1,211,142	(1,137,502)	1,781,944	(1,743,584)
Interest on long-term debt	<u>147,165</u>	<u>(147,165)</u>	<u>135,005</u>	<u>(135,005)</u>
Total	<u>\$ 19,468,259</u>	<u>\$ (12,704,071)</u>	<u>\$ 20,532,385</u>	<u>\$ (14,268,754)</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's governmental funds reported combined ending fund balances of \$13,716,910. The combined governmental fund balance decreased \$760,783 from the prior year.

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 \$12,307,524. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 56.1% 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, 2021 and 2020

	<u>2021</u>			<u>2020</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 11,754,915	\$ 11,754,915	\$ 11,144,383	\$ 11,918,134	\$ 11,918,134	\$ 12,012,857
Other	2,528,367	2,534,992	2,853,152	2,612,957	2,603,367	2,396,072
Intergovernmental	<u>6,188,235</u>	<u>7,171,389</u>	<u>5,485,427</u>	<u>6,595,791</u>	<u>6,767,189</u>	<u>5,199,740</u>
Total Revenues	20,471,517	21,461,296	19,482,962	21,126,882	21,288,690	19,608,669
Expenditures	<u>21,749,089</u>	<u>23,844,913</u>	<u>21,941,090</u>	<u>22,350,983</u>	<u>22,576,971</u>	<u>20,285,686</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,277,572)	(2,383,617)	(2,458,128)	(1,224,101)	(1,288,281)	(677,017)
Other Financing Sources (Uses)						
Issuance of debt	-	1,000,000	1,240,000	571,000	571,000	530,205
Capital lease proceeds	653,000	653,000	653,000	-	-	-
Transfers in	119,803	119,803	58,333	119,803	119,803	119,803
Transfers out	<u>(250,000)</u>	<u>(268,122)</u>	<u>(272,572)</u>	<u>(211,981)</u>	<u>(211,981)</u>	<u>(184,307)</u>
Total Other Financing Sources (Uses)	<u>522,803</u>	<u>1,504,681</u>	<u>1,678,761</u>	<u>478,822</u>	<u>478,822</u>	<u>465,701</u>
Change in Fund Balance before Surplus	(754,769)	(878,936)	(779,367)	(745,279)	(809,459)	(211,316)
From Surplus	<u>754,769</u>	<u>878,936</u>	<u>-</u>	<u>745,279</u>	<u>809,459</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (779,367)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (211,316)</u>

Final amended budget revenues were more than the original budget by \$989,779.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$2,095,824.

Actual revenues were less than final budget amounts by \$1,978,334 or 9.2%, while actual expenditures were \$1,903,823, or 8% less than final budget amounts.

The City budgeted grant income and expenditures which did not begin in FY21.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2021, the City's governmental activities net capital assets total \$15,011,058, which represents a net increase of \$962,934 or 6.9% over the previous fiscal year-end balance. The business-type activities net capital assets total \$27,879,246 an increase of \$3,245,640 or 13.2% over the previous fiscal year.

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land and land improvements	\$ 2,302,871	\$ -	\$ 2,302,871
Buildings and improvements	7,595,041	863,010	8,458,051
Infrastructure	20,063,240	222,759	20,285,999
Furniture, equipment, and vehicles	9,418,083	1,173,219	10,591,302
Total Capital Assets	39,379,235	2,258,988	41,638,223
Less: Accumulated depreciation and amortization	(25,331,111)	(1,296,054)	(26,627,165)
Total Capital Assets, Net	<u>\$ 14,048,124</u>	<u>\$ 962,934</u>	<u>\$ 15,011,058</u>

Business-Type Activities

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Land and land improvements	\$ 103,471	\$ -	\$ 103,471
Construction in progress	2,686,943	1,109,351	3,796,294
Buildings and systems	32,935,195	2,845,529	35,780,724
Furniture, equipment, and vehicles	1,485,424	43,447	1,528,871
Total Capital Assets	37,211,033	3,998,327	41,209,360
Less: Accumulated depreciation and amortization	(12,577,427)	(752,687)	(13,330,114)
Total Capital Assets, Net	<u>\$ 24,633,606</u>	<u>\$ 3,245,640</u>	<u>\$ 27,879,246</u>

Long-Term Debt

As of June 30, 2021, the City's long-term obligations total \$38,007,582.

	<u>Balance July 1, 2020</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2021</u>
Governmental Activities			
Long-term debt	\$ 5,123,151	\$ 44,338	\$ 5,167,489
Compensated absences	463,429	(8,751)	454,678
Total Governmental Activities	5,586,580	35,587	5,622,167
Business-Type Activities			
Long-term debt	23,636,450	8,584,500	32,220,950
Compensated absences	150,028	14,437	164,465
Total Business-Type Activities	23,786,478	8,598,937	32,385,415
Total Primary Government	<u>\$ 29,373,058</u>	<u>\$ 8,634,524</u>	<u>\$ 38,007,582</u>

More detailed information on the City's long-term obligations is presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2022 budget.

The average unemployment rate for the City of Emporia, Virginia in June 2021 was 8.2%. This compares unfavorably to the state's rate of 4.5% and to the national rate of 6.1%.

The estimate in June 2020 by the University of Virginia Weldon Cooper Center is a population of 5,630.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2022, which accounts for most of the City's operational costs. The fiscal year 2022 adopted budget anticipates general fund revenues and expenditures to be \$25,283,809, a 15% increase over the fiscal year 2021 original 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 the 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.

BASIC FINANCIAL STATEMENTS



City of Emporia, Virginia
Statement of Net Position
At June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 12,976,857	\$ 3,376,057	\$ 16,352,914
Receivables, net	620,513	857,874	1,478,387
Due from other governments	2,312,075	-	2,312,075
Cash and cash equivalents, restricted	<u>-</u>	<u>7,249,894</u>	<u>7,249,894</u>
Total Current Assets	15,909,445	11,483,825	27,393,270
Noncurrent Assets			
<i>Capital Assets</i>			
Land and construction in progress	2,302,871	3,899,765	6,202,636
Other capital assets, net of accumulated depreciation	<u>12,708,187</u>	<u>23,979,481</u>	<u>36,687,668</u>
Capital Assets, Net	<u>15,011,058</u>	<u>27,879,246</u>	<u>42,890,304</u>
Other assets	<u>1,321,382</u>	<u>-</u>	<u>1,321,382</u>
Total Assets	32,241,885	39,363,071	71,604,956
Deferred Outflows of Resources			
Pension	1,554,212	296,041	1,850,253
OPEB	<u>172,411</u>	<u>32,841</u>	<u>205,252</u>
Total Deferred Outflows of Resources	<u>1,726,623</u>	<u>328,882</u>	<u>2,055,505</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 33,968,508</u>	<u>\$ 39,691,953</u>	<u>\$ 73,660,461</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	\$ 347,604	\$ 743,803	\$ 1,091,407
Due to other governments	91,913	-	91,913
Accrued interest payable	46,262	237,467	283,729
Unearned grant	2,773,282	33,204	2,806,486
Customer deposits	<u>-</u>	<u>215,731</u>	<u>215,731</u>
Total Current Liabilities	3,259,061	1,230,205	4,489,266
Noncurrent Liabilities			
<i>Due within one year</i>			
Compensated absences	45,468	16,446	61,914
Bonds, loans, and capital leases payable	488,758	835,955	1,324,713
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	4,678,731	32,601,309	37,280,040
Compensated absences	409,210	148,019	557,229
Net OPEB liability	809,429	154,177	963,606
Net pension liability	<u>2,908,793</u>	<u>614,130</u>	<u>3,522,923</u>
Total Noncurrent Liabilities	<u>9,340,389</u>	<u>34,370,036</u>	<u>43,710,425</u>
Total Liabilities	12,599,450	35,600,241	48,199,691
Deferred Inflows of Resources			
Pension	41,452	7,896	49,348
OPEB	<u>26,139</u>	<u>4,975</u>	<u>31,114</u>
Total Deferred Inflows of Resources	67,591	12,871	80,462
Net Position			
Net investment in capital assets	9,843,569	1,691,876	11,535,445
Restricted for			
Citizen Bank building investment	1,368,720	-	1,368,720
Unrestricted	<u>10,089,178</u>	<u>2,386,965</u>	<u>12,476,143</u>
Total Net Position	<u>21,301,467</u>	<u>4,078,841</u>	<u>25,380,308</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 33,968,508</u>	<u>\$ 39,691,953</u>	<u>\$ 73,660,461</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, 2021

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	\$ 1,809,849	\$ -	\$ 173,080	\$ -	\$ (1,636,769)		\$ (1,636,769)
Judicial administration	3,816,780	-	426,260	-	(3,390,520)		(3,390,520)
Public safety	3,822,125	985,006	1,610,946	-	(1,226,173)		(1,226,173)
Public works	3,876,814	1,095,794	1,168,604	-	(1,612,416)		(1,612,416)
Health and welfare	506,838	-	-	-	(506,838)		(506,838)
Education	3,880,359	-	1,226,358	-	(2,654,001)		(2,654,001)
Parks, recreation, and cultural	397,187	-	4,500	-	(392,687)		(392,687)
Community development	1,211,142	-	73,640	-	(1,137,502)		(1,137,502)
Interest on long-term debt	147,165	-	-	-	(147,165)		(147,165)
Total Governmental Activities	19,468,259	2,080,800	4,683,388	-	(12,704,071)		(12,704,071)
Business-Type Activities							
Water and Sewer Fund	4,340,851	4,221,262	-	-		\$ (119,589)	(119,589)
Total Business-Type Activities	4,340,851	4,221,262	-	-		(119,589)	(119,589)
Total Primary Government	\$ 23,809,110	\$ 6,302,062	\$ 4,683,388	\$ -		(119,589)	(12,823,660)
General Revenues							
Taxes							
General property taxes, real and personal					4,903,726	-	4,903,726
Other local taxes					6,433,396	-	6,433,396
Grants and contributions not restricted to specific programs					873,678	-	873,678
Use of property					175,224	-	175,224
Investment earnings					81,757	18,969	100,726
Miscellaneous					204,851	5,686	210,537
Transfers					(19,965)	19,965	-
Total General Revenues and Transfers					12,652,667	44,620	12,697,287
Change in Net Position					(51,404)	(74,969)	(126,373)
Net Position - Beginning of Year					21,352,871	4,153,810	25,506,681
Net Position - End of Year					\$ 21,301,467	\$ 4,078,841	\$ 25,380,308

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, 2021

	General Fund	Emporia Redevelopment and Housing Authority Fund	Emporia Industrial Development Authority	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 12,710,313	\$ 58,271	\$ 208,273	\$ 12,976,857
Property taxes receivable, net	303,349	-	-	303,349
Accounts receivable	317,024	140	-	317,164
Due from other governments	2,312,075	-	-	2,312,075
Other assets	11,073	1,310,309	-	1,321,382
Total Assets	<u>\$ 15,653,834</u>	<u>\$ 1,368,720</u>	<u>\$ 208,273</u>	<u>\$ 17,230,827</u>
Liabilities				
Accounts payable	\$ 169,847	\$ -	\$ 167,607	\$ 337,454
Accrued liabilities	10,150	-	-	10,150
Unearned grants	2,773,282	-	-	2,773,282
Due to other governments	91,913	-	-	91,913
Total Liabilities	3,045,192	-	167,607	3,212,799
Deferred Inflows of Resources				
Unavailable revenue - deferred taxes	301,118	-	-	301,118
Total Deferred Inflows of Resources	301,118	-	-	301,118
Fund Balance				
Restricted for				
Citizens Bank building investment	-	1,368,720	-	1,368,720
Assigned	-	-	40,666	40,666
Unassigned	12,307,524	-	-	12,307,524
Total Fund Balance	<u>12,307,524</u>	<u>1,368,720</u>	<u>40,666</u>	<u>13,716,910</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 15,653,834</u>	<u>\$ 1,368,720</u>	<u>\$ 208,273</u>	<u>\$ 17,230,827</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, 2021

Total Fund Balances for Governmental Funds \$ 13,716,910

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	\$ 2,302,871
Buildings and improvements, net of accumulated depreciation	4,311,023
Furniture, equipment, and vehicles, net of accumulated depreciation	2,058,717
Infrastructure, net of accumulated depreciation	<u>6,338,447</u>

Total Capital Assets 15,011,058

Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - property taxes 301,118

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pension	1,554,212
Deferred inflows of resources related to pension	(41,452)
Deferred outflows of resources related to OPEB	172,411
Deferred inflows of resources related to OPEB	<u>(26,139)</u>

Total Deferred Outflows and Inflows of Resources 1,659,032

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	(5,167,489)
Pension liability	(2,908,793)
Accrued interest payable	(46,262)
OPEB liability	(809,429)
Compensated absences	<u>(454,678)</u>

Total (9,386,651)

Total Net Position of Governmental Activities \$ 21,301,467

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, 2021

	<u>General Fund</u>	<u>Emporia Redevelopment and Housing Authority Fund</u>	<u>Emporia Industrial Development Authority</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 4,710,987	\$ -	\$ -	\$ 4,710,987
Other local taxes	6,433,396	-	-	6,433,396
Permits, privilege fees, and regulatory licenses	18,583	-	-	18,583
Fines and forfeitures	966,423	-	-	966,423
Use of money and property	181,921	60	75,000	256,981
Charges for services	1,095,794	-	-	1,095,794
Miscellaneous	204,288	-	563	204,851
Recovered costs	386,143	-	-	386,143
<i>Intergovernmental</i>				
Revenue from the Commonwealth of Virginia	4,363,279	-	-	4,363,279
Revenue from the Federal Government	<u>1,122,148</u>	<u>-</u>	<u>71,640</u>	<u>1,193,788</u>
Total Revenues	19,482,962	60	147,203	19,630,225
Expenditures				
Current				
General government administration	1,646,710	-	-	1,646,710
Judicial administration	4,000,472	-	-	4,000,472
Public safety	4,037,801	-	-	4,037,801
Public works	3,820,367	-	-	3,820,367
Health and welfare	507,452	-	-	507,452
Education	3,880,359	-	-	3,880,359
Parks, recreation, and cultural	397,187	-	-	397,187
Community development	1,659,223	13,180	309,773	1,982,176
Debt service	<u>1,991,519</u>	<u>-</u>	<u>-</u>	<u>1,991,519</u>
Total Expenditures	<u>21,941,090</u>	<u>13,180</u>	<u>309,773</u>	<u>22,264,043</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,458,128)	(13,120)	(162,570)	(2,633,818)
Other Financing Sources (Uses)				
Transfers in	58,333	25,000	227,607	310,940
Transfers out	(272,572)	-	(58,333)	(330,905)
Capital lease proceeds	653,000	-	-	653,000
Issuance of debt	<u>1,240,000</u>	<u>-</u>	<u>-</u>	<u>1,240,000</u>
Total Other Financing Sources (Uses)	<u>1,678,761</u>	<u>25,000</u>	<u>169,274</u>	<u>1,873,035</u>
Net Change in Fund Balance	(779,367)	11,880	6,704	(760,783)
Fund Balance - Beginning of Year	<u>13,086,891</u>	<u>1,356,840</u>	<u>33,962</u>	<u>14,477,693</u>
Fund Balance - End of Year	<u>\$ 12,307,524</u>	<u>\$ 1,368,720</u>	<u>\$ 40,666</u>	<u>\$ 13,716,910</u>

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, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	(760,783)
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**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capitalized assets	\$ 2,258,988	
Depreciation	<u>(1,296,054)</u>	
		962,934

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.

192,739

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 issuance proceeds	(1,893,000)	
Repayments on debt	1,848,662	
Accrued interest expense	<u>(4,308)</u>	
Net Adjustment		(48,646)

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 liabilities, deferred outflows and inflows	<u>(366,531)</u>	
		(366,531)

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	8,751	
Net OPEB liability, deferred outflows and inflows	<u>(39,868)</u>	
Net Adjustment		<u>(31,117)</u>

Change in Net Position of Governmental Activities	\$	<u><u>(51,404)</u></u>
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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, 2021

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

Cash and cash equivalents	\$ 3,376,057
Receivables, net	857,874
Cash and cash equivalents, restricted	<u>7,249,894</u>
Total Current Assets	11,483,825

Noncurrent Assets

Land and construction in progress	3,899,765
Capital assets, net	<u>23,979,481</u>
Total Noncurrent Assets	27,879,246

Deferred Outflows of Resources

Pension	296,041
OPEB	<u>32,841</u>
Total Deferred Outflows of Resources	<u>328,882</u>

Total Assets and Deferred Outflows of Resources	<u><u>\$ 39,691,953</u></u>
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Liabilities**Current Liabilities**

Accounts payable and accrued liabilities	\$ 743,803
Accrued interest payable	237,467
Unearned grant	33,204
Customer deposits	215,731
Compensated absences	16,446
Bonds, loans, and capital leases payable, due within one year	<u>835,955</u>
Total Current Liabilities	2,082,606

Noncurrent Liabilities

Compensated absences, net	148,019
Net pension liability	614,130
Net OPEB liability	154,177
Bonds, loans, and capital leases payable, net	<u>32,601,309</u>
Total Noncurrent Liabilities	<u>33,517,635</u>
Total Liabilities	35,600,241

Deferred Inflows of Resources

Pension	7,896
OPEB	<u>4,975</u>
Total Deferred Inflows of Resources	12,871

Net Position

Net investment in capital assets	1,691,876
Unrestricted	<u>2,386,965</u>
Total Net Position	<u>4,078,841</u>

Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 39,691,953</u></u>
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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, 2021

Business-Type
Activities -
Enterprise Fund
Water and Sewer
Fund

Operating Revenues

Charges for services, net	\$ 4,221,262
Miscellaneous	<u>5,686</u>
Total Operating Revenues	4,226,948

Operating Expenses

Personnel services and benefits	1,271,894
Maintenance, supplies, and vehicle	469,774
Utilities	273,910
Chemicals	116,628
Depreciation	752,687
Bad debt	32,968
Other charges	<u>343,177</u>
Total Operating Expenses	<u>3,261,038</u>

Operating Income	965,910
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Nonoperating Revenues (Expenses)

Interest income	18,969
Interest expense and issuance costs	<u>(1,079,813)</u>

Total Nonoperating Revenues (Expenses) Before Transfers	<u>(1,060,844)</u>
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Income (Loss) Before Transfers	(94,934)
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Transfers in (out)	<u>19,965</u>
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Change in Net Position	(74,969)
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Total Net Position - Beginning of Year	<u>4,153,810</u>
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Total Net Position - End of Year	<u>\$ 4,078,841</u>
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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, 2021

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

Cash Flows from Operating Activities

Receipts from customers	\$ 3,541,797
Federal Grant - CARES Act Utility Funding	33,204
Other receipts	5,686
Payments to personnel and benefits	(1,201,137)
Payments to suppliers	<u>(638,008)</u>
Net Cash Provided by Operating Activities	1,741,542

Cash Flows from Noncapital Financing Activities

Due to General Fund and transfers to General Fund	<u>(535,290)</u>
Net Cash Used in Noncapital Financing Activities	(535,290)

Cash Flows from Capital and Related Financing Activities

Purchases and construction of capital assets	(3,998,327)
Proceeds on new debt issuance	12,750,000
Premium on new debt issuance	1,216,314
Principal paid on capital debt	(4,165,500)
Interest paid on capital debt	<u>(960,225)</u>
Net Cash Provided by Capital and Related Financing Activities	4,842,262

Cash Flows from Investing Activities

Interest income	<u>18,969</u>
Net Cash Provided by Investing Activities	<u>18,969</u>

Net Increase in Cash and Cash Equivalents 6,067,483

Cash and Cash Equivalents - Beginning of Year 4,558,468

Cash and Cash Equivalents - End of Year \$ 10,625,951

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

Operating income	\$ 965,910
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>	
Depreciation	752,687
<i>Changes in assets and liabilities</i>	
Receivables, net	(688,324)
Accounts payable and accrued expenses	598,449
Compensated absences	14,437
Customer deposits	8,859
Unearned grant	33,204
Deferred outflows - pension	(122,383)
Deferred inflows - pension	(51,387)
Pension liability	243,584
Deferred outflows - OPEB	8,538
Deferred inflows - OPEB	(1,694)
Net OPEB liability	<u>(20,338)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,741,542</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, 2021

1 Summary of Significant Accounting Policies and Use of Estimates

Narrative Profile

The City of Emporia, Virginia (the "City") has a population of approximately 5,630 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

The following are legally separate component units for which the City is financially accountable for and, therefore, the related financial activities have been blended with the City's financial reporting.

Emporia Redevelopment and Housing Authority Fund was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation and redevelopment of areas within the territorial limits of the City. City staff provided management assistance to the Authority.

Emporia Industrial Development Authority Fund was established for the purpose of carrying out commercial development activities for certain areas of the City. City staff provides management assistance to the Authority. Members of the Authority are approved by the City council.

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 \$4,893,994 and final expenditures after adjustments were \$3,832,162 during fiscal year 2021.

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 majority representation on the governing body of the Department. The City appropriated \$378,418 during fiscal year 2021 to the Department and final adjusted expenditures for the year were \$245,027.

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 \$1,265,099 during fiscal year 2021 to the Authority for services rendered and final expenditures for the year were \$1,251,815.

1-B. Financial Reporting Model

The City's Annual Comprehensive Financial Report includes management's discussion and analysis, the basic financial statements, and required 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. 75–*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

GASB-Required Supplementary OPEB – GASB issued Statement No. 75–*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB).

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 and Emporia Industrial Development 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 Custodial 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. Custodial 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. Custodial Funds consist of the following:
 - a. Private Purpose Trust Funds – The City has no Private Purpose Trust Funds at this time.
 - b. Custodial Funds – The City has no Custodial 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 amounts were as follows at June 30.

General Fund - taxes receivable	<u>\$ 62,306</u>
Water and Sewer Fund - accounts receivables	<u>\$ 319,963</u>

Real and Personal Property Tax Data

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

Real Property Personal Property

Levy	September 1	June 1
Due Date	December 5	July 1

The City bills and collects its own property taxes.

An interest charge of ten% per annum is also levied on real property taxes not collected on or before their due date. An interest charge of 10% per annum is also levied on personal property taxes not collected on or before August 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 nonspendable 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:

Asset Description	Estimated Lives
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

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will be recognized as expenditures in the future period to which it applies. This category also includes amounts related to pensions for certain actuarially determined differences projected and actual investment earnings.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will be recognized as revenue in the future period to which it applies. Currently, this category includes revenue received in advance, and amounts related to pensions for certain actuarially determined differences between projected and actual experience.

Deferred Inflows of Resources in the Governmental Funds Balance Sheet include unavailable revenue. Unavailable revenue consists primarily of special assessment, loans and notes receivable. The City considers revenues available if they are collected within 60 days of the end of the fiscal year.

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

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. 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 Group Life Insurance Program

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers.

For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-10 Other Postemployment Benefits Plans

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City of Emporia, Virginia's OPEB Plan for Retiree's Health Insurance and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. See Notes to the financial statement for more information regarding the Plan.

1-E-11 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-12 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-13 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-14 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-15 Adoption of New GASB Statements

The City adopted the following GASB statements during the year ended June 30, 2021:

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the City.

1-F. 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 Ordinance.
4. The Appropriations Ordinance places legal restrictions on expenditures at the fund level. These appropriations for each fund 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, 2021

A budget was not legally adopted for the IDA Fund or Emporia Redevelopment and Housing Authority Fund; as such, expenditures exceeded appropriations at the fund level.

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 June 30, 2021</u>
Petty cash	\$ 1,100
Deposit accounts	<u>23,601,708</u>
Total Cash and Cash Equivalents	<u>\$ 23,602,808</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 12,976,857</u>	<u>\$ 10,625,951</u>	<u>\$ 23,602,808</u>

4 Receivables

Receivables at June 30, 2021 consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property taxes	\$ 365,655	\$ -
Meals and lodging taxes	317,024	-
Other	140	-
Water and sewer	<u>-</u>	<u>1,177,837</u>
Total	682,819	1,177,837
Allowance for uncollectibles	<u>(62,306)</u>	<u>(319,963)</u>
Net Receivables	<u>\$ 620,513</u>	<u>\$ 857,874</u>

5 Interfund Transfers

Interfund transfers as of June 30, 2021 are as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
<i>Primary Government</i>		
General Fund		
To Redevelopment and Housing Fund for operations	\$ 25,000	\$ -
To Industrial Development Fund for tax incentive and grant	227,607	-
From Industrial Development Fund for rent	-	58,333
To Water and Sewer Fund - bond costs and sanitation fees	<u>19,965</u>	<u>-</u>
Total General Fund	272,572	58,333
Redevelopment and Housing Fund		
From General Fund for operations	-	25,000
Industrial Development Authority		
From General Fund for tax incentive and grant	-	227,607
To General Fund for rent	<u>58,333</u>	<u>-</u>
Total Governmental Funds	330,905	310,940
Water and Sewer Fund		
From Water and Sewer Fund - bond costs and sanitation fees	<u>-</u>	<u>19,965</u>
Total Transfers Within Primary Government	<u>\$ 330,905</u>	<u>\$ 330,905</u>

6 Due from Other Governmental Units

Details of the City's receivables from other governmental units, as of June 30, 2021, are as follows:

	<u>General</u>
County of Greenville, Virginia	
School Board - Education	\$ 1,604,736
Total County of Greenville, Virginia	1,604,736
Commonwealth of Virginia	
Personal property tax relief act (PPTRA)	145,728
Local sales tax	312,437
Communication sales and use taxes	30,645
Education state sales tax	164,271
Constitutional officers	22,177
Wireless 911 grant	7,777
Other	<u>22,224</u>
Total Commonwealth of Virginia	705,259
Other	<u>2,080</u>
Total Due from Other Governments	<u>\$ 2,312,075</u>

7 Due to Other Governmental Units

Details of the City's payables to other governmental units, as of June 30, 2021, are as follows:

General

Social Services operations - Greensville County, Virginia \$ 91,913

8 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 2,302,871	\$ -	\$ -	\$ 2,302,871
Total Capital Assets Not Being Depreciated	2,302,871	-	-	2,302,871
Other Capital Assets				
Buildings and improvements	7,595,041	863,010	-	8,458,051
Infrastructure	20,063,240	222,759	-	20,285,999
Furniture, equipment, and vehicles	9,418,083	1,173,219	-	10,591,302
Total Other Capital Assets	37,076,364	2,258,988	-	39,335,352
Less: Accumulated depreciation for				
Buildings and improvements	3,907,301	239,727	-	4,147,028
Infrastructure	13,273,097	674,455	-	13,947,552
Furniture, equipment, and vehicles	8,150,713	381,872	-	8,532,585
Total Accumulated Depreciation	25,331,111	1,296,054	-	26,627,165
Other Capital Assets, Net	11,745,253	962,934	-	12,708,187
Net Capital Assets	\$ 14,048,124	\$ 962,934	\$ -	\$ 15,011,058

Depreciation Expense was Allocated to

General government administration	\$ 330,153
Public safety	342,424
Public works	586,471
Health and welfare	1,511
Community development	35,495
Total	\$ 1,296,054

Business-Type Activities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 103,471	\$ -	\$ -	\$ 103,471
Construction in progress	<u>2,686,943</u>	<u>3,796,294</u>	<u>2,686,943</u>	<u>3,796,294</u>
Total Capital Assets Not Being Depreciated	2,790,414	3,796,294	2,686,943	3,899,765
Other Capital Assets				
Buildings and systems	32,935,195	2,845,529	-	35,780,724
Furniture, equipment, and vehicles	<u>1,485,424</u>	<u>43,447</u>	<u>-</u>	<u>1,528,871</u>
Total Other Capital Assets	34,420,619	2,888,976	-	37,309,595
Less: Accumulated depreciation for				
Buildings and systems	11,230,544	727,495	-	11,958,039
Furniture, equipment, and vehicles	<u>1,346,883</u>	<u>25,192</u>	<u>-</u>	<u>1,372,075</u>
Total Accumulated Depreciation	<u>12,577,427</u>	<u>752,687</u>	<u>-</u>	<u>13,330,114</u>
Other Capital Assets, Net	<u>21,843,192</u>	<u>2,136,289</u>	<u>-</u>	<u>23,979,481</u>
Net Capital Assets	<u>\$ 24,633,606</u>	<u>\$ 5,932,583</u>	<u>\$ 2,686,943</u>	<u>\$ 27,879,246</u>

9 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 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 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 \$454,678 in the governmental activities. The balance in the business-type activities is \$164,465.

10 Long-Term Debt

PRIMARY GOVERNMENT

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

<u>Year(s) Ended June 30.</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 488,758	\$ 99,839	\$ 775,139	\$ 898,864
2023	483,280	93,117	6,961,863	789,714
2024	444,827	80,015	1,054,627	719,810
2025	449,202	72,082	1,092,256	684,511
2026	424,011	64,203	1,137,050	646,536
2027-2031	1,689,487	218,825	6,378,039	2,615,293
2032-2036	1,187,924	56,003	6,667,207	1,577,109
2037-2041	-	-	3,979,553	786,469
2042-2046	-	-	1,717,865	431,875
2047-2051	-	-	1,928,212	221,528
2052-2056	-	-	529,139	25,815
Total	<u>\$ 5,167,489</u>	<u>\$ 684,084</u>	<u>\$ 32,220,950</u>	<u>\$ 9,397,524</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 could 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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	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021	Due Within One Year
Primary Government					
Governmental Activities					
General Fund					
BB&T lease for EMS dated September 15, 2016 with payments of \$1,292 at 1.67% commencing October 15, 2016 and ending September 15, 2021.	\$ 19,165	\$ -	\$ 14,015	\$ 5,150	5,150
General Obligation Refunding Bond, Series 2006 with Carter Bank and Trust, principal amount of \$7,560,000, issued June 15, 2006, with interest at 1.21%, 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)	1,607,006	-	73,633	1,533,373	76,578
Capital lease with IBM for new server and OEM agreement consisting of 5 annual payments of \$5,370 for the server, at 1.53%, \$1,737 at 3.29% for the maintenance agreement, and \$1,071.39 at 3.57% for the OEM agreement, ending on November 1, 2020.	8,178	-	8,178	-	-
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%.	75,500	-	53,362	22,138	22,138
General Obligation Bond, Series 2012B, with SunTrust Bank, principal amount of \$1,733,500 issued November 28, 2012 with interest at 3.86% (subject to an interest rate reset in future years) due semi-annually on February 15 and August 15 of each year with an annual principal payment due on February 15 each year.	1,269,439	-	1,269,439	-	-
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 semi-annually on January 15 and July 15 of each year with an annual principal payment due on July 15. Bond matures on July 15, 2034.	44,425	-	44,425	-	-
Lease with BB&T dated November 17, 2015 for the re-chassis of a firetruck. Payments of \$1,926.38 of principal and interest at 2.17%. Interest payments are made over 84 months, due monthly on the 17th.	54,378	-	22,156	32,222	22,642
Lease with Carter Bank & Trust dated January 30, 2018 payable over 7 years at 2.5% interest.	23,491	-	5,197	18,294	4,938
Lease with Carter Bank & Trust dated March 13, 2018 for police vehicles for 3 years with interest of 1.95%.	23,777	-	23,777	-	-
Lease with Carter Bank & Trust dated March 2, 2016 for an animal control vehicle and dump truck with 84 payments of \$1,466 at 1.75%.	46,446	-	16,876	29,570	17,174
Lease with BB&T for \$154,000 dated September 6, 2018 for police vehicles with payments of \$4,480.06 at 2.98% over 3 years.	65,884	-	52,511	13,373	13,373
Lease with BciCapital, Inc. for \$468,000 payable over 7 years. Monthly payments of \$5,926 at 1.77% interest.	-	468,000	42,270	425,730	64,091
Lease with BciCapital Inc. for \$185,000 payable over 5 years. Monthly payments of \$3,223 at 1.77% interest.	-	185,000	23,790	161,210	36,113

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021	Due Within One Year
Lease with BB&T for \$64,418 dated September 6, 2018 for a tractor/mower with payments of \$860.49 at 3.32% over 6 years.	49,687	-	8,810	40,877	9,106
Note payable with Benchmark Community Bank for police vehicles dated October 30, 2019 with payments of \$5,601 at 1.8% over 3 years.	158,795	-	64,846	93,949	66,071
General Obligation Bond Series 2020B with Zion Bank dated December 2020; interest rates vary from .65% to 2.25% payable semi-annually on August 1 and February 1; principal payments begin on August 1, 2021 and matures in 20 years in August 2032.	-	1,240,000	-	1,240,000	20,000
Note payable with Benchmark Community Bank for police vehicles dated October 30, 2019 with payments of \$4,266 at 1.99% over 7 years.	308,023	-	45,377	262,646	46,384
General Obligation Bond Series 2015A with Carter Bank & Trust for \$1,800,000 dated August 13, 2015 at 2.95% commencing March 1, 2016 and terminating September 1, 2034.	1,368,957	-	80,000	1,288,957	85,000
Subtotal	5,123,151	1,893,000	1,848,662	5,167,489	488,758
Compensated Absences	463,429	-	8,751	454,678	45,468
Total Governmental Activities	5,586,580	1,893,000	1,857,413	5,622,167	534,226
Business-Type Activities					
BB&T Lease, principal amount of \$46,424 issued September 15, 2016 with payments starting October 15, 2016, with interest at 1.78% due and payable in 84 monthly payments of \$588 ending September 15, 2023.	22,274	-	6,153	16,121	6,837
General Obligation Bond Series 2014 at 3.10% payments of principal due annually on November 1 of each year and interest due semi-annually May 1 and November 1, maturing November 1, 2034.	1,377,000	-	73,000	1,304,000	76,000
General Obligation Bond Series 2020A with Zion Bank dated December 2020; interest rates vary from 3% to 5% payable semi-annually on August 1 and February 1; principal payments begin on August 1, 2021 and matures in 20 years in August 2040.	-	6,750,000	-	6,750,000	105,000
\$6 million General Obligation Bond Anticipation Note, Series 2020 (BAN); interest rate of 1.33% payable semi-annually June 1 and December 1; final principal is due at final maturity on December 1, 2022.	-	6,000,000	-	6,000,000	-
General Obligation Refunding Bond, Series 2006 with Carter Bank and Trust, principal amount of \$7,560,000, issued June 15, 2006, with interest at 1.21%, 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.	3,556,894	-	162,976	3,393,918	169,496
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 semi-annually.	7,949,907	-	173,787	7,776,120	169,059

	<u>Balance</u> <u>July 1, 2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
USDA Rural Development General Obligation & Revenue Water System Bond, Series 2012A at 2.00%; interest only for first 24 months, paid annually, then 456 monthly payments of \$5,769.	1,627,800	-	37,009	1,590,791	37,747
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 semi-annually on January 15 and July 15 of each year with an annual principal payment due on July 15. Bond matures on July 15, 2034.	3,509,575	-	3,509,575	-	-
Water and wastewater Revenue Bond Series 2018 with Sterling Bank, for \$5,593,000 issued September 14, 2018 at 3.88%. Interest payments are due semi-annually on April 1 and October 1 of each year with an annual principal payment due on October 1. Bond matures on October 1, 2038.	<u>5,593,000</u>	<u>-</u>	<u>203,000</u>	<u>5,390,000</u>	<u>211,000</u>
Subtotal	23,636,450	12,750,000	4,165,500	32,220,950	775,139
Bond Premium on Series 2020 bonds	<u>-</u>	<u>1,216,314</u>	<u>-</u>	<u>1,216,314</u>	<u>60,816</u>
Total Bonds and Premium	23,636,450	13,966,314	4,165,500	33,437,264	835,955
Compensated Absences	<u>150,028</u>	<u>14,437</u>	<u>-</u>	<u>164,465</u>	<u>16,446</u>
Total Business-Type Activities	<u>23,786,478</u>	<u>13,980,751</u>	<u>4,165,500</u>	<u>33,601,729</u>	<u>852,401</u>
Total Primary Government	<u>\$ 29,373,058</u>	<u>\$ 15,873,751</u>	<u>\$ 6,022,913</u>	<u>\$ 39,223,896</u>	<u>\$ 1,386,627</u>

General Obligation Refunding Bonds – December 2020

In December 2020, the City issued \$1,240,000 of general obligation refunding bonds with a true interest cost of 1.87% and an original issue premium of \$-0-. The bonds were issued to complete an advance refunding of the 2012B general obligation bonds and fund related cost of issuance and will be used to upgrade general fund public utilities. As a result, the 2012B series bonds is considered defeased, and the related liability for the bonds has been removed from the City's liabilities. This refunding was undertaken to reduce total debt service payments over the next 12 years by \$123,496 and resulted in an economic gain of \$109,443.

General Obligation Refunding Bonds – December 2020

In December 2020, the City issued \$6,750,000 of general obligation refunding bonds with a true interest cost of 1.23% and an original issue premium of \$1,216,314. The bonds were issued to complete an advance refunding of the 2014 general obligation refunding bonds and fund related cost of issuance and for water and sewer infrastructure improvements. As a result, the 2014 series bond is considered defeased, and the related liability for the bonds has been removed from the City's liabilities. This refunding was undertaken to reduce total debt service payments over the next 20 years by \$315,692 and resulted in an economic gain of \$306,221.

11 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, 2021 is determined as follows:

	Governmental Activities	Business- Type Activities
Net Investment in Capital Assets		
Cost of capital assets	\$ 41,638,223	\$ 41,209,360
Less: Accumulated depreciation	<u>26,627,165</u>	<u>13,330,114</u>
Book value	15,011,058	27,879,246
Less: Capital related debt	(5,167,489)	(33,437,264)
Add: Restricted cash from bond proceeds	<u>-</u>	<u>7,249,894</u>
Net Investment in Capital Assets	<u>\$ 9,843,569</u>	<u>\$ 1,691,876</u>

12 Deferred Inflows of Resources

Deferred inflows of resources are comprised of the following:

Primary Government - General Fund

Delinquent taxes not collected within 60 days	<u>\$ 301,118</u>
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13 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 Risk Sharing Association, 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.

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, 2021:

Karen Taylor, Treasurer	\$500,000
Joyce E. Prince, Commissioner of Revenue	30,000
D. Keith Prince, Jr., 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.

14 Commitments and Contingencies

Federal programs in which the City participates were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, 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.

15 Litigation

At June 30, 2021, 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.

16 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 10% 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 Property	\$ <u>369,957,215</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 36,995,722
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross debt	<u>25,255,892</u>
Legal Debt Margin - June 30, 2021	\$ <u>11,739,830</u>

Note: Includes all long-term general obligation bonded debt and USDA Note as disclosed in Note 10. Excludes capital leases and compensated absences.

17 Pension Plan

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by a 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 pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

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

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

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, service credit, and average final compensation at retirement using a formula.

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.

- The defined benefit is based on a member's age, service credit, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

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 <i>Retirement Contributions</i>	PLAN 2 <i>Retirement Contributions</i>	HYBRID RETIREMENT PLAN <i>Retirement Contributions</i>
<p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Same as Plan 1.</p>	<p>A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><i>Service Credit</i></p> <p>Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><i>Service Credit</i></p> <p>Same as Plan 1.</p>	<p><i>Service Credit</i></p> <p>Defined Benefit Component:</p> <p>Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>
<p><i>Vesting</i></p> <p>Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p>	<p><i>Vesting</i></p> <p>Same as Plan 1.</p>	<p><i>Vesting</i></p> <p>Defined Benefit Component:</p> <p>Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>
<p>Members are always 100% vested in the contributions that they make.</p>		<p>Defined Contributions Component:</p> <p>Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p>
		<p>Members are always 100% vested in the contributions that they make.</p>

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 service credit or at age 50 with at least 30 years of service credit.

Political subdivisions hazardous duty employees:
Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.

Earliest Reduced Retirement Eligibility

VRS: Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

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

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 service credit, 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 service credit, 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 service credit or when their age plus service credit 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 service credit.

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 service credit or when their age plus service credit 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 60 with at least five years (60 months) of service credit.

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.
- 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.

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

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.

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.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2019 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	81
Inactive members:	
Vested inactive members	11
Non-vested inactive members	25
LTD	0
Inactive members active elsewhere in VRS	<u>39</u>
Total inactive members	75
Active members	<u>106</u>
Total covered employees	<u>262</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.

If the employer used the certified rate: The City of Emporia, Virginia's contractually required contribution rate for the year ended June 30, 2021 was 12.05% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 City of Emporia, Virginia were \$617,679 and \$521,765 for the years ended June 30, 2021 and June 30, 2020, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For City of Emporia, Virginia, the net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2019 rolled forward to the measurement date of June 30, 2020.

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, 2019 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

**Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.*

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

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, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

**Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.*

Mortality rates:

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

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

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>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

**The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.*

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2020, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2020 on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

		<u>Increase (Decrease)</u>	
	<u>Total</u> <u>Pension</u> <u>Liability</u> <u>(a)</u>	<u>Plan</u> <u>Fiduciary</u> <u>Net Position</u> <u>(b)</u>	<u>Net</u> <u>Pension</u> <u>Liability</u> <u>(a) - (b)</u>
Balances at June 30, 2019	\$ 28,250,853	\$ 26,250,331	\$ 2,000,522
Changes for the Year			
Service cost	655,207	-	655,207
Interest	1,858,560	-	1,858,560
Benefit changes	-	-	-
Assumption changes	-	-	-
Differences between expected and actual experience	231,899	-	231,899
Contributions - employer	-	503,840	(503,840)
Contributions - employee	-	237,063	(237,063)
Net investment income	-	500,163	(500,163)
Benefit payments, including refunds	(1,433,274)	(1,433,274)	-
Administrative expenses	-	(17,214)	17,214
Other changes	-	(587)	587
Net Changes	<u>1,312,392</u>	<u>(210,009)</u>	<u>1,522,401</u>
Balances at June 30, 2020	<u>\$ 29,563,245</u>	<u>\$ 26,040,322</u>	<u>\$ 3,522,923</u>

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

The following presents the net pension liability of the City of Emporia, Virginia using the discount rate of 6.75%, as well as what the City of Emporia, Virginia's net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate:

	<u>1.00% Decrease</u> <u>(5.75%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(6.75%)</u>	<u>1.00% Increase</u> <u>(7.75%)</u>
Political subdivision's Net Pension Liability	\$ 7,025,936	\$ 3,522,923	\$ 584,884

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

For the year ended June 30, 2021, the City of Emporia, Virginia recognized pension expense of \$1,036,099. At June 30, 2021, the City of Emporia, Virginia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ 161,675	\$ 49,348
Change in assumptions	298,789	-
Net difference between projected and actual earnings on pension plan investments	772,110	-
Employer contributions subsequent to the measurement date	<u>617,679</u>	<u>-</u>
Total	<u>\$ 1,850,253</u>	<u>\$ 49,348</u>

\$617,679 reported as deferred outflows of resources related to pensions resulting from the City of Emporia, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended
June 30,

2022	\$ 289,541
2023	369,518
2024	274,613
2025	249,554
2026	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2020 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2020-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

18 Other Post-Employment Benefits - Group Life Insurance Program

Plan Description

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

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums.

Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions:</i> In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,616 as of June 30, 2021.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part

of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2021 was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$27,680 and \$25,766 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

At June 30, 2021, the entity reported a liability of \$401,855 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2020 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2019, and rolled forward to the measurement date of June 30, 2020. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2020 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2020, the participating employer's proportion was .54% as compared to .52% at June 30, 2019.

For the year ended June 30, 2021, the participating employer recognized GLI OPEB expense of \$18,554. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2021, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,775	\$ 3,608
Net difference between projected and actual earnings on GLI OPEB program investments	12,071	-
Change in assumptions	20,097	8,391
Changes in proportionate share	16,504	15,022
Employer contributions subsequent to the measurement date	<u>27,680</u>	<u>-</u>
Total	<u>\$ 102,127</u>	<u>\$ 27,021</u>

\$27,680 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

**Year Ended
June 30,**

2022	\$ 9,282
2023	12,691
2024	14,073
2025	11,183
2026	555
Thereafter	(358)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2019, 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, 2020.

Inflation	2.50%
Salary increases, including inflation -	
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

** Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.*

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2020, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	3,523,937
Plan Fiduciary Net Position		<u>1,855,102</u>
GLI Net OPEB Liability (Asset)	\$	<u>1,668,835</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.64%

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

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Long-Term Target Asset Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return*</u>
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi-Asset Public Strategies	6.00%	3.04%	0.18%
PIP - Private Investment Partnership	<u>3.00%</u>	6.49%	<u>0.19%</u>
Total	<u>100.00%</u>		<u>4.64%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.14%</u>

** The above allocation provides a one-year return of 7.14%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.*

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2020, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2020 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State Agency's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability	\$ 528,270	\$ 401,855	\$ 299,195

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2020 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2020_-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

19 **Other Post-Employment Benefits Plan**

Plan Description

In addition to pension benefits provided by the Virginia Retirement System, the City offers postemployment healthcare benefits. These benefits are governed by the City and may be amended by City Council. Employees who are eligible for retirement benefits and are covered by the active plan at the time of retirement, along with their eligible dependents who are covered by the active plan, are eligible to continue healthcare insurance under the City's plan for active employees until age 65 when they become eligible for Medicare. The retiree must pay 100% of all premiums.

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

Anthem KA 500
Anthem KA Expanded

Retirees who are Medicare eligible may only elect the Medicare supplement.

Relationship between Valuation Date, Measurement Date, and Reporting Date

The valuation date is July 1, 2019. This is the date as of which the actuarial valuation is performed. The measurement date is June 30, 2021. This is the date as of which the total OPEB liability is determined. The reporting date is June 30, 2021. This is the plan's and/or employer's fiscal year ending date.

Significant Changes

There have been no significant changes between the valuation date and fiscal year end.

Participant Data as of July 1, 2019

	<u>Number</u>
Actives	103
Retirees	3
Beneficiaries	0
Spouses of Retirees	0
Total Covered Employees	<u>106</u>

Changes in Total OPEB Liability

	<u>Increase (Decrease)</u> <u>Total OPEB Liability</u>
Balance at June 30, 2020	\$ 545,463
Changes for the Year	
Service cost	28,324
Interest on total OPEB liability	12,390
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	2,105
Benefit payments	<u>(26,531)</u>
Balance at June 30, 2021	<u>\$ 561,751</u>

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.16%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate.

<u>Using Discount Rates</u>	<u>1.00% Decrease</u> <u>(1.16%)</u>	<u>Discount</u> <u>Rate (2.16%)</u>	<u>1.00% Increase</u> <u>(3.16%)</u>
Total OPEB Liability	\$ 605,148	\$ 561,751	\$ 520,875

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

<u>Using Current Healthcare</u> <u>Cost Trend Rates</u>	<u>1.00% Decrease</u>	<u>Current Trend</u> <u>Rate</u>	<u>1.00% Increase</u>
Total OPEB Liability	\$ 494,548	\$ 561,751	\$ 640,649

As of June 30, 2021, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ 81,576	\$ -
Changes of assumptions	21,549	4,093
Employer contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 103,125</u>	<u>\$ 4,093</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

**Year Ended
June 30,**

2022	\$	21,377
2023		21,321
2024		20,864
2025		20,864
2026		14,606
Thereafter		-

Total OPEB Liability

June 30, 2020 June 30, 2021

Total OPEB Liability	\$	545,463	\$	561,751
Covered Payroll		4,876,404		4,876,404
Total OPEB Liability as a % of Covered Payroll		11.19%		11.52%

The Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and GASB 75.

Discount Rate

	<u>2020</u>	<u>2021</u>
Discount Rate	2.21%	2.16%
20 Year Tax-Exempt Municipal Bond Yield	2.21%	2.16%

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Other Key Actuarial Assumptions

The demographic assumptions used to determine the Total OPEB Liability as of June 30, 2021 were based on the results of an actuarial experience study for the Virginia Retirement System covering the period from July 1, 2012 to June 30, 2016. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 26, 2017.

Valuation Date	July 1, 2019	July 1, 2019
Measurement Date	June 30, 2020	June 30, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Inflation	2.50%	2.50%
Medical Trend Rate	10.60% - 4.00% over 75 years	10.60% - 4.00% over 75 years
Salary Increases, including inflation	Graded Scale	Graded Scale

20 Aggregate OPEB Information

	Primary Government			
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability (Asset)</u>	<u>OPEB Expense</u>
VRS OPEB Plans				
<i>Group Life Insurance</i>				
Primary Government	\$ 102,127	\$ 27,021	\$ 401,855	\$ 18,554
Retiree Health Insurance				
Primary Government	<u>103,125</u>	<u>4,093</u>	<u>561,751</u>	<u>62,091</u>
Totals	<u>\$ 205,252</u>	<u>\$ 31,114</u>	<u>\$ 963,606</u>	<u>\$ 80,645</u>

21 Fund Balances – Governmental Funds

As of June 30, 2021, fund balances are composed of the following:

	Primary Government			
	<u>General Fund</u>	<u>Emporia Redevelopment and Housing Authority Fund</u>	<u>Emporia Industrial Development Authority Fund</u>	<u>Total Governmental Funds</u>
Restricted for				
Citizens Bank building investment	\$ -	\$ 1,368,720	\$ -	\$ 1,368,720
Total Restricted Balances	-	1,368,720	-	1,368,720
Assigned	-	-	40,666	40,666
Unassigned	<u>12,307,524</u>	<u>-</u>	<u>-</u>	<u>12,307,524</u>
Total Fund Balances	<u>\$ 12,307,524</u>	<u>\$ 1,368,720</u>	<u>\$ 40,666</u>	<u>\$ 13,716,910</u>

22 Tax Abatements

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatements with one entity as of June 30, 2021.

<u>Type Business</u>	<u>Purpose</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Manufacturing	Machinery and tools tax		
	Utility tax (local)	50%	\$ 167,607

23 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2021 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2021. Management has performed their analysis through February 3, 2023.

REQUIRED SUPPLEMENTARY INFORMATION



City of Emporia, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2021

General Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Real property taxes	\$ 3,340,193	\$ 3,340,193	\$ 3,327,618	\$ (12,575)
Personal property taxes	1,499,009	1,499,009	535,502	(963,507)
Public service corporation property taxes	221,764	221,764	217,542	(4,222)
Delinquent taxes	180,000	180,000	569,941	389,941
Penalties and interest on taxes	61,000	61,000	60,384	(616)
Total General Property Taxes	5,301,966	5,301,966	4,710,987	(590,979)
Other Local Taxes				
Local sales and use taxes	1,700,000	1,700,000	1,852,748	152,748
Consumers' utility taxes	394,000	394,000	405,986	11,986
Business license taxes	824,000	824,000	661,775	(162,225)
Motor vehicle licenses	120,000	120,000	100,742	(19,258)
Bank stock taxes	205,000	205,000	124,234	(80,766)
Tax on recordation and wills	9,949	9,949	33,481	23,532
Lodging taxes	1,250,000	1,250,000	1,285,540	35,540
Meals taxes	1,950,000	1,950,000	1,968,890	18,890
Total Other Local Taxes	6,452,949	6,452,949	6,433,396	(19,553)
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	2,500	2,500	1,722	(778)
Planning and zoning	2,200	2,200	2,365	165
Building permits	13,000	13,000	14,496	1,496
Total Permits, Privilege Fees, and Regulatory Licenses	17,700	17,700	18,583	883
Fines and Forfeitures				
	1,075,000	1,075,000	966,423	(108,577)
Revenue from Use of Money and Property				
Revenue from use of money	167,000	167,000	81,697	(85,303)
Revenue from use of property	2,500	2,500	100,224	97,724
Total Revenue from Use of Money and Property	169,500	169,500	181,921	12,421

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Charges for Services				
Charges for sanitation and waste removal	904,692	904,692	1,095,635	190,943
Other charges for services	-	-	159	159
Total Charges for Services	904,692	904,692	1,095,794	191,102
Recovered Costs				
From Greensville County, Virginia	58,400	58,400	66,514	8,114
Other recovered costs	284,380	284,380	319,629	35,249
Total Recovered Costs	342,780	342,780	386,143	43,363
Miscellaneous				
Total Miscellaneous	18,695	25,320	204,288	178,968
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Auto rental taxes	25,000	25,000	6,745	(18,255)
Moped sales tax	-	-	553	553
Rolling stock taxes - motor vehicle carriers tax	11,000	11,000	11,450	450
Personal Property Tax Relief	570,319	570,319	570,320	1
Game of Skills tax	150,000	150,000	88,128	(61,872)
Communication taxes	230,000	230,000	196,474	(33,526)
Recordation and grantors' tax	6,480	6,480	8	(6,472)
Total Noncategorical Aid	992,799	992,799	873,678	(119,121)
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Sheriff	152,081	152,081	98,006	(54,075)
Commissioner of the Revenue	69,680	69,680	71,345	1,665
Treasurer	69,072	69,072	64,142	(4,930)
Registrar/Electoral Board	35,950	35,950	37,593	1,643
Law enforcement grants	220,148	237,630	246,215	8,585
Emergency services grants	138,606	138,606	18,036	(120,570)
Litter control	-	5,608	5,608	-
State asset forfeiture funds	10,000	10,000	10,841	841
E 911 Wireless	146,023	146,023	46,099	(99,924)
Fire program funds	20,515	30,000	30,000	-
State sales tax - education	1,137,553	1,137,553	1,226,358	88,805
Virginia Commission for the Arts	4,500	4,500	4,500	-
Street and highway maintenance	1,146,467	1,146,467	1,162,997	16,530
Family violence prevention	127,730	127,730	328,983	201,253
Virginia Juvenile Community Crime Control	109,248	109,248	97,277	(11,971)
DHCD Virtual Train Grant	-	2,000	2,000	-
Criminal justice service - Sexual Assault	46,479	96,479	39,601	(56,878)
Criminal justice service - Victim Witness	27,135	27,135	-	(27,135)
VDOT - E Atlantic Street	400,815	400,815	-	(400,815)
VDSS Child Advocacy Services	183,368	183,368	-	(183,368)
Tobacco Region Grant	120,000	120,000	-	(120,000)
Other grants	111,000	181,000	-	(181,000)
Total Categorical Aid	4,276,370	4,430,945	3,489,601	(941,344)
Total Revenue from the Commonwealth of Virginia	5,269,169	5,423,744	4,363,279	(1,060,465)

Variance
With
Final Budget
Positive
(Negative)

Original
Budget

Final
Budget

Actual

<i>Revenue from the Federal Government</i>				
DCJS Sexual Assault Grant	263,380	263,380	12,962	(250,418)
DCJS Victim Witness Grants	125,629	125,629	265,022	139,393
DCJS Coronavirus Supplemental Funding	-	-	50,000	50,000
Dept. of Housing and Urban Development - E. Atlantic	-	29,720	-	(29,720)
Emergency services grants - Snow 2016	519,772	519,772	67,638	(452,134)
Emergency services grants - EMPG	10,285	10,285	10,285	-
COVID - Registrar	-	-	17,463	17,463
CARES Act - COVID	-	798,859	698,778	(100,081)
Total Revenue from the Federal Government	919,066	1,747,645	1,122,148	(625,497)
Total Intergovernmental Revenues	6,188,235	7,171,389	5,485,427	(1,685,962)
Total Revenues	20,471,517	21,461,296	19,482,962	(1,978,334)

Expenditures

Current

General Government Administration

Legislative	227,290	227,290	191,627	35,663
City Manager	589,563	589,563	502,393	87,170
Legal services	55,500	55,500	79,096	(23,596)
Commissioner of Revenue	310,951	310,951	289,952	20,999
Treasurer	130,777	130,777	92,824	37,953
Director of Finance	228,778	228,778	204,388	24,390
Data processing	152,703	152,703	122,834	29,869
Board of Elections/Registrar	149,406	208,081	163,596	44,485
Total General Government Administration	1,844,968	1,903,643	1,646,710	256,933

Judicial Administration

Circuit Court - shared services	2,732,039	2,811,683	2,742,425	69,258
Juvenile and Domestic Relations Court	194,601	194,601	177,357	17,244
Sheriff	325,392	325,392	273,680	51,712
VDSS Child Advocacy Services	184,083	190,417	159,786	30,631
Family violence	131,375	131,375	128,251	3,124
Sexual assault	313,327	306,993	320,388	(13,395)
Victim Witness	155,037	155,037	103,991	51,046
VJCCC Grant	111,351	111,351	94,594	16,757
Total Judicial Administration	4,147,205	4,226,849	4,000,472	226,377

Public Safety

Police Department	3,747,747	3,815,229	3,531,170	284,059
Volunteer Fire Department	159,408	168,893	167,053	1,840
Ambulance and rescue service	12,260	12,260	22,586	(10,326)
Building inspections	176,163	178,163	135,247	42,916
Animal control	111,747	111,747	90,488	21,259
Emergency services	99,730	99,730	91,257	8,473
Total Public Safety	4,307,055	4,386,022	4,037,801	348,221

Public Works

Maintenance of highways, streets, bridges, sidewalks	1,076,661	2,076,661	1,834,774	241,887
Refuse collection	1,397,415	1,403,023	1,277,619	125,404
Engineering	148,750	148,750	159,092	(10,342)
City Shop	247,043	247,043	242,935	4,108
General buildings and grounds	360,367	360,367	305,947	54,420
Total Public Works	3,230,236	4,235,844	3,820,367	415,477

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<i>Health and Welfare</i>				
Local health	20,890	20,890	23,783	(2,893)
Mental Health and Mental Retardation	81,699	81,699	81,699	-
Children's services act	156,943	156,943	156,943	-
Welfare and social services	<u>378,418</u>	<u>378,418</u>	<u>245,027</u>	<u>133,391</u>
Total Health and Welfare	637,950	637,950	507,452	130,498
<i>Education</i>				
Superintendent	500	500	500	-
Contract services (shared costs)	4,893,494	4,893,494	3,831,662	1,061,832
Community Colleges and Eagle Scholarship	<u>48,197</u>	<u>48,197</u>	<u>48,197</u>	<u>-</u>
Total Education	4,942,191	4,942,191	3,880,359	1,061,832
<i>Parks, Recreation, and Cultural</i>				
Parks and recreation	289,866	289,866	285,682	4,184
Regional library	<u>96,451</u>	<u>96,451</u>	<u>111,505</u>	<u>(15,054)</u>
Total Parks, Recreation, and Cultural	386,317	386,317	397,187	(10,870)
<i>Community Development</i>				
Zoning Board	510,743	580,743	525,908	54,835
Economic development	167,878	964,407	845,890	118,517
Housing needs - CIG grant	801,630	801,630	128,598	673,032
Airport Commission	104,800	104,800	104,800	-
Cooperative Extension Program	<u>49,667</u>	<u>56,068</u>	<u>54,027</u>	<u>2,041</u>
Total Community Development	1,634,718	2,507,648	1,659,223	848,425
<i>Debt Service</i>	<u>618,449</u>	<u>618,449</u>	<u>1,991,519</u>	<u>(1,373,070)</u>
Total Expenditures	<u>21,749,089</u>	<u>23,844,913</u>	<u>21,941,090</u>	<u>1,903,823</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,277,572)	(2,383,617)	(2,458,128)	(74,511)
Other Financing Sources (Uses)				
Transfers in	119,803	119,803	58,333	(61,470)
Transfers out	(250,000)	(268,122)	(272,572)	(4,450)
Capital lease proceeds	-	-	653,000	653,000
Issuance of debt	<u>653,000</u>	<u>1,653,000</u>	<u>1,240,000</u>	<u>(413,000)</u>
Total Other Financing Sources (Uses)	<u>522,803</u>	<u>1,504,681</u>	<u>1,678,761</u>	<u>174,080</u>
Net Change in Fund Balance	(754,769)	(878,936)	(779,367)	99,569
From Surplus	<u>754,769</u>	<u>878,936</u>	<u>-</u>	<u>(878,936)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	(779,367)	<u>\$ (779,367)</u>
Fund Balance - Beginning of Year			<u>13,086,891</u>	
Fund Balance - End of Year			<u>\$ 12,307,524</u>	

Emporia Redevelopment and Housing Authority Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Use of money and property	\$ -	\$ -	\$ 60	\$ 60
Total Revenues	-	-	60	60
Expenditures				
Community Development	-	-	13,180	(13,180)
Excess (Deficiency) of Revenues Over Expenditures	-	-	(13,120)	(13,120)
Other Financing Sources (Uses)				
Transfers in	-	-	25,000	25,000
Net Change in Fund Balance Before Transfer from Surplus	-	-	11,880	11,880
Transfer from Surplus Funds	-	-	-	-
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	11,880	<u>\$ 11,880</u>
Fund Balance - Beginning of Year			1,356,840	
Fund Balance - End of Year			<u>\$ 1,368,720</u>	

Emporia Industrial Development Authority Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Use of money and property	\$ -	\$ -	\$ 75,000	\$ 75,000
Miscellaneous	-	-	563	563
Intergovernmental				
<i>Revenue from the Federal Government</i>				
CARES Act	-	-	71,640	71,640
Total Revenue from the Federal Government	-	-	71,640	71,640
Total Intergovernmental Revenues	-	-	71,640	71,640
Total Revenues	-	-	147,203	147,203
Expenditures				
<i>Community Development</i>				
Incentives	-	-	167,607	(167,607)
Payouts - Business Incubation Grants	-	-	10,526	(10,526)
CARES Act	-	-	131,640	(131,640)
Total Community Development	-	-	309,773	(309,773)
Total Expenditures	-	-	309,773	(309,773)
Excess (Deficiency) of Revenues Over Expenditures	-	-	(162,570)	(162,570)
Other Financing Sources (Uses)				
Transfers in	-	-	227,607	227,607
Transfers out	-	-	(58,333)	(58,333)
Total Other Financing Sources (Uses)	-	-	169,274	169,274
Net Change in Fund Balance Before Transfer from Surplus	-	-	6,704	6,704
Transfer from Surplus Funds	-	-	-	-
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	6,704	<u>\$ 6,704</u>
Fund Balance - Beginning of Year			<u>33,962</u>	
Fund Balance - End of Year			<u>\$ 40,666</u>	

City of Emporia, Virginia

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

For the Plan Years Ended June 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability							
Service cost	\$ 655,207	\$ 618,606	\$ 540,486	\$ 558,549	\$ 539,612	\$ 504,675	\$ 509,477
Interest	1,858,560	1,813,886	1,746,013	1,718,299	1,620,434	1,573,674	1,499,113
Changes in benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	231,899	(127,060)	81,374	(599,615)	288,704	(393,028)	-
Changes of assumptions	-	769,325	-	(94,063)	-	-	-
Benefit Payments	<u>(1,433,274)</u>	<u>(1,473,125)</u>	<u>(1,323,396)</u>	<u>(1,051,117)</u>	<u>(1,050,238)</u>	<u>(984,394)</u>	<u>(902,468)</u>
Net change in total pension liability	1,312,392	1,601,632	1,044,477	532,053	1,398,512	700,927	1,106,122
Total pension liability - beginning	<u>28,250,853</u>	<u>26,649,221</u>	<u>25,604,744</u>	<u>25,072,691</u>	<u>23,674,179</u>	<u>22,973,252</u>	<u>21,867,130</u>
Total pension liability - ending (a)	<u>\$ 29,563,245</u>	<u>\$ 28,250,853</u>	<u>\$ 26,649,221</u>	<u>\$ 25,604,744</u>	<u>\$ 25,072,691</u>	<u>\$ 23,674,179</u>	<u>\$ 22,973,252</u>
Plan fiduciary net position							
Contributions - employer	\$ 503,840	\$ 508,581	\$ 528,732	\$ 494,818	\$ 506,409	\$ 508,462	\$ 528,196
Contributions - employee	237,063	238,219	236,618	219,230	204,860	206,241	214,325
Net investment income	500,163	1,672,873	1,776,476	2,650,279	378,168	963,146	2,898,251
Benefit Payments	(1,433,274)	(1,473,125)	(1,323,396)	(1,051,117)	(1,050,238)	(984,394)	(902,468)
Administrator charges	(17,214)	(16,945)	(15,472)	(15,335)	(13,592)	(13,256)	(15,585)
Other	<u>(587)</u>	<u>(1,048)</u>	<u>(1,572)</u>	<u>(2,357)</u>	<u>(160)</u>	<u>(203)</u>	<u>153</u>
Net change in plan fiduciary net position	(210,009)	928,555	1,201,386	2,295,518	25,447	679,996	2,722,872
Plan fiduciary net position - beginning	<u>26,250,331</u>	<u>25,321,776</u>	<u>24,120,390</u>	<u>21,824,872</u>	<u>21,799,425</u>	<u>21,119,429</u>	<u>18,396,557</u>
Plan fiduciary net position - ending (b)	<u>\$ 26,040,322</u>	<u>\$ 26,250,331</u>	<u>\$ 25,321,776</u>	<u>\$ 24,120,390</u>	<u>\$ 21,824,872</u>	<u>\$ 21,799,425</u>	<u>\$ 21,119,429</u>
Political subdivision's net pension liability - ending (a-b)	<u>\$ 3,522,923</u>	<u>\$ 2,000,522</u>	<u>\$ 1,327,445</u>	<u>\$ 1,484,354</u>	<u>\$ 3,247,819</u>	<u>\$ 1,874,754</u>	<u>\$ 1,853,823</u>
Plan fiduciary net position as a percentage of the total Pension liability	11.92%	7.08%	4.98%	5.80%	12.95%	7.92%	8.07%
Covered payroll	\$ 4,955,030	\$ 4,925,969	\$ 4,806,696	\$ 4,475,770	\$ 4,147,860	\$ 4,157,086	\$ 4,140,695
Political subdivision's net pension liability as a percentage of covered payroll	71.10%	40.61%	27.62%	33.16%	78.30%	45.10%	44.77%

City of Emporia, Virginia

Schedule of Employer Contributions

Political Subdivisions Retirement Plan

For the Years Ended June 30, 2012 through 2021

Date	Contributions in Relation to		Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a % of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution			
	(1)	(2)	(3)	(4)	(5)
2021	\$ 617,679	\$ 617,679	\$ -	\$ 5,125,970	12.05%
2020	521,765	521,765	-	4,955,030	10.53%
2019	518,704	518,704	-	4,925,969	10.53%
2018	537,388	537,388	-	4,806,696	11.18%
2017	500,390	500,390	-	4,475,770	11.18%
2016	508,943	508,943	-	4,147,860	12.27%
2015	510,074	510,074	-	4,157,086	12.27%
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A

For Reference Only:

Column 1 - Employer contribution rate multiplied by the employer's covered payroll.

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

Column 4 - Employer's covered payroll amount for the fiscal year.

City of Emporia, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2021

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

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

All Others (Non 10 Largest) – Hazardous Duty:

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

City of Emporia, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Plan (GLI)

For the Measurement Dates of June 30, 2020, 2019, 2018 and 2017

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.02408%	0.25130%	0.02528%	0.02426%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 401,855	\$ 408,932	\$ 384,000	\$ 365,000
Employer's Covered Payroll	\$ 4,955,030	\$ 4,925,969	\$ 4,806,696	\$ 4,475,770
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.11%	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2020 is the fourth year for this presentation, there are only four years available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 128 of the VRS 2020 Annual Report.

City of Emporia, Virginia

Group Life Insurance OPEB Plan

Schedule of Employer Contributions

For the Years Ended June 30, 2012 through 2021

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2021	\$ 27,680	\$ 27,680	\$ -	\$ 5,125,970	0.54%
2020	25,766	25,766	-	4,955,030	0.52%
2019	25,615	25,615	-	4,925,969	0.52%
2018	24,995	24,995	-	4,806,696	0.52%
2017	23,374	23,374	-	4,475,770	0.52%
2016	19,927	19,927	-	4,151,540	0.48%
2015	19,954	19,954	-	4,157,087	0.48%
2014	19,576	19,576	-	4,078,419	0.48%
2013	19,402	19,402	-	4,042,156	0.48%
2012	10,402	10,402	-	3,714,991	0.28%

For Reference Only:

Column 1 - Employer contribution rate multiplied by the employer's covered payroll.

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

Column 4 - Employer's covered payroll amount for the fiscal year.

City of Emporia, Virginia

Notes to Required Supplementary Information – OPEB Group Life Insurance Program

For the Year Ended June 30, 2021

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers – General Employees

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

Non-Largest Ten Locality Employers – Hazardous Duty Employees

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

City of Emporia, Virginia

Schedule of Changes in Total OPEB Liability and Related Ratios

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 28,324	\$ 22,759	\$ 16,042	\$ 16,679
Interest on total OPEB liability	12,390	14,116	14,144	12,843
Effect of plan changes	-	-	-	-
Effect of economic/demographic gains or (losses)	-	116,290	-	-
Effect of assumption changes or inputs	2,105	21,026	13,061	(12,705)
Benefit payments	<u>(26,531)</u>	<u>(18,416)</u>	<u>(5,941)</u>	<u>(29,198)</u>
Net change in total OPEB liability	16,288	155,775	37,306	(12,381)
Total OPEB liability - beginning	<u>545,463</u>	<u>389,688</u>	<u>352,382</u>	<u>364,763</u>
Total OPEB liability - ending	<u>\$ 561,751</u>	<u>\$ 545,463</u>	<u>\$ 389,688</u>	<u>\$ 352,382</u>
Covered payroll	\$ 4,876,404	\$ 4,876,404	\$ 4,876,760	\$ 4,876,760
Political subdivision's net OPEB liability as a percentage of covered payroll	11.52%	11.19%	7.99%	7.23%

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

City of Emporia, Virginia

Schedule of Contributions - OPEB Retiree Health Insurance

For the Years Ended June 30, 2012 through 2021

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2021	\$ -	\$ -	\$ -	\$ 4,876,404	0.00%
2020	-	-	-	4,876,404	0.00%
2019	-	-	-	4,876,760	0.00%
2018	-	-	-	4,876,760	0.00%
2017	-	-	-	4,512,300	0.00%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A

COMPLIANCE SECTION





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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 City of Emporia, Virginia (including its blended component units), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Emporia, Virginia's basic financial statements, and have issued our report thereon dated February 3, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Emporia, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Emporia, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, 2021-003, 2021-004, and 2021-005 that we consider to be material weaknesses.

Report on Compliance and Other Matters

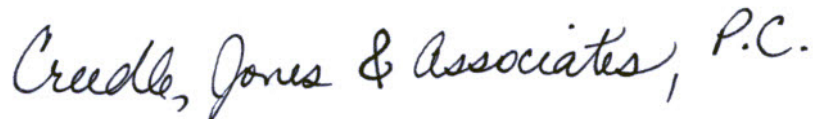
As part of obtaining reasonable assurance about whether the City of Emporia, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Emporia, Virginia's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Creedle, Jones & Associates, P.C." in a cursive script.

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

South Hill, Virginia
February 3, 2023



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
City of Emporia, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Emporia, Virginia's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Emporia, Virginia's major federal programs for the year ended June 30, 2021. 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.

In our opinion, 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, 2021.

Basis for Opinion on Each Major Federal Program

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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance); and for *Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards, Uniform Guidance, and specifications are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Emporia, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Emporia, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Emporia, Virginia's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Emporia, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Emporia, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Emporia, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Emporia, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Emporia, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

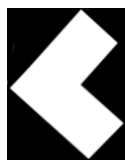
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Creedle, Jones & Associates, P.C.

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

South Hill, Virginia
February 3, 2023



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REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS, CONTRACTS, AND GRANTS

To the City Council
City of Emporia, Virginia

We have audited the financial statements of the City of Emporia, Virginia, as of and for the year ended June 30, 2021, and have issued our report thereon dated February 3, 2023.

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 of material misstatement.

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the City of Emporia, Virginia, is the responsibility of the City of Emporia, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Emporia, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Debt Provisions
- Procurement
- Unclaimed Property
- Personal Property Tax Relief Act

State Agency Requirements

- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Emporia, Virginia had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the City Council, City of Emporia, Virginia's management, Auditor of Public Accounts of the Commonwealth of Virginia, and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Creedle, Jones & Associates, P.C.

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

South Hill, Virginia
February 3, 2023

City of Emporia, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
U. S. Department of the Treasury			
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Accounts</i>			
Coronavirus Relief Funds	21.019	151	\$ 770,418
Subtotal - U. S. Department of the Treasury			770,418
U. S. Department of Homeland Security (DHS)			
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Emergency Management</i>			
Emergency Management Performance Grants	97.042	127	10,285
Disaster Grants - Public Assistance	97.036	127	<u>67,638</u>
Subtotal - U. S. Department of Homeland Security			77,923
U. S. Election Assistance Commission			
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Elections</i>			
Crime Victim Assistance (VOCA)	90.404	132	<u>17,463</u>
Subtotal - U. S. Election Assistance Commission			17,463
U. S. Department of Justice (DOJ)			
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Criminal Justice Services</i>			
Sexual Assault Grants	16.017	140	12,962
Crime Victim Assistance Grants	16.575	140	265,022
Coronavirus Emergency Supplemental Funding Program	16.034	140	<u>50,000</u>
Subtotal - U. S. Department of Justice			<u>327,984</u>
Grand Totals			<u><u>\$ 1,193,788</u></u>

See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of City of Emporia, Virginia under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Emporia, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Emporia, Virginia.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

City of Emporia, Virginia has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Subrecipients

No awards passed through to subrecipients.

City of Emporia, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-------------------------------------	---

21.019	Coronavirus Relief Funds
--------	--------------------------

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings

Finding No. 2021-001 – Month-end and Year-end Closing Procedures (recurring finding 2020-001)

Criteria:

The City should follow the BAI accounting software procedures for month and year-end closing for proper posting and cutoff for transactions.

Condition:

The City had outstanding journal entries that were originally not posted to the June 30, 2021 balances so various general ledger reports and trial balances did not agree.

Cause:

BAI accounting software procedures were unknown due to turnover of the director of finance position during the fiscal period under audit and after year end.

Effect or potential effect:

The general ledger balances being reported were incorrect and were not updated for all the journal entries outstanding.

Recommendation:

The City's personnel need proper training on the BAI software.

Views of responsible officials:

The City has set procedures to follow for the month and year-end closings using the BAI software. In order to follow these procedures, all prior years are required to be closed. Once all years are closed and prior audits are complete, these procedures will be in place and compliance with this finding will be met.

Finding No. 2021-002 – Bank Reconciliation (recurring finding 2020-002)

Criteria:

Bank reconciliations should be performed timely each month.

Condition:

Bank reconciliations were not timely or properly prepared for any months between July 2020 to June 2021 until January 2022.

Cause:

Turnover in the finance director position and illnesses in the Treasurer's office and lack of knowledge related to the BAI system resulted in the bank reconciliations not being prepared timely.

Effect or potential effect:

Cash transactions have the potential to effect the balance sheet and statement of revenues and expenses accounts; therefore, if cash is materially misstated other accounts will be misstated.

Recommendation:

The City should prepare monthly bank reconciliations timely.

Views of responsible officials:

The City has contracted with a consultant to develop monthly bank reconciliations procedures. Bank reconciliations are now the responsibility of the treasurer's office and will be completed on a monthly basis according to set procedures.

Finding No. 2021-003 – Accounts Receivable for Water and Sewer Billings

Criteria:

Water and sewer accounts receivable (active and inactive) with an aging schedule should be reconciled to the general ledger accounts receivable in Fund 502 each month.

Condition:

Accounts receivable reports from the utility billing system did not balance with the general ledger accounts receivable balance.

Cause:

BAI postings for utility billings are not monitored and accounts receivable is not reconciled between the general ledger and the utility billing system on a monthly basis.

Effect or potential effect:

Accounts receivable for utility billing and, consequently, water and sewer sales have the potential to be materially misstated.

Recommendation:

Personnel in both the finance department and Treasurer's office should coordinate and balance accounts receivable timely.

Views of responsible officials:

Staff will develop procedures to reconcile these accounts monthly. These procedures will be a part of the City's monthly revenue meeting.

Finding No. 2021-004 – Transfers between and due to/from Funds

Criteria:

Transfers between funds and due to/from funds should balance each month.

Condition:

Transfers and due to/from's were not in balance and had to be researched and adjusted.

Cause:

Journal entries were not made to the funds in a balanced condition and no reconciliations were performed to monitor the balances.

Effect or potential effect:

Transfers and due to/from funds were out of balance causing other general ledger accounts to be incorrectly stated.

Recommendation:

Reconcile transfers and due to/from other funds monthly.

Views of responsible officials:

The transfers between funds and due/to from other funds accounts are not being utilized in the same manner as in the past. However, staff will develop procedures to reconcile these accounts as deemed necessary.

Finding No. 2021-005 – Clearing Accounts

Criteria:

Clearing accounts are liability accounts established to "clear" or become a zero (-0-) balance, usually on a monthly basis. Numerous clearing accounts carried unreasonable balances that required correction.

Condition:

The clearing accounts were not operating as designed due to BAI software issues from lack of training with processing transactions and journal entries.

Cause:

Processing payroll, accounts payable and utility billing during the turnover of personnel created balances in the clearing accounts that were unreasonable. The clearing accounts were not monitored for reasonableness and required adjusting during the year.

Effect or potential effect:

If the clearing accounts are misstated, other related general ledger accounts are likewise misstated.

Recommendation:

Monitor and balance clearing account liabilities each month. The City staff should perform a reconciliation each month based on their relative application (i.e., payroll, accounts payable, or utility billing).

Views of responsible officials:

Staff will include reconciliation of all clearing accounts in month-end procedures to ensure all balances have cleared the accounts in a timely manner.

Section III – Federal Awards Findings and Questioned Costs

No matters were reported

CITY OF EMPORIA, VIRGINIA

*P. O. Box 511
Emporia, Virginia 23847*

CORRECTIVE ACTION PLAN

February 3, 2023

City of Emporia, Virginia respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Creedle, Jones & Associates, P.C.
P. O. Box 487
South Hill, Virginia 23970

Audit Period: July 1, 2020 through June 30, 2021

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2021 are discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDING - FINANCIAL STATEMENT AUDIT

Finding No. 2021-001-Month-end and Year-end Closing Procedures

Recommendation:

The City's personnel need proper training on the BAI software.

Action Taken:

The City has set procedures to follow for the month and year-end closings using the BAI software. In order to follow these procedures, all prior years are required to be closed. Once all years are closed and prior audits are complete, these procedures will be in place and compliance with this finding will be met.

Finding No. 2021-002 -Bank Reconciliation

Recommendation:

The City should prepare monthly bank reconciliations timely.

Action Taken:

The City has contracted with a consultant to develop monthly bank reconciliations procedures. Bank reconciliations are now the responsibility of the treasurer's office and will be completed on a monthly basis according to set procedures.

Finding No. 2021-003 –Accounts Receivable for Water and Sewer Billings

Recommendation:

The City should prepare monthly water and sewer receivables reconciliations on a timely basis. The general ledger accounts receivable number in fund 502 should equal the detailed water and sewer active and inactive ledger by customer.

Action Taken:

Staff will develop procedures to reconcile these accounts monthly. These procedures will be a part of the City's monthly revenue meeting.

Finding No.2021-004 –Transfers between Funds and Due to/from Other Funds

Recommendation:

The City should reconcile transfers between funds and due to/from other funds monthly and research/adjust any out of balance conditions.

Action Taken:

The transfers between funds and due/to from other funds accounts are not being utilized in the same manner as in the past. However, staff will develop procedures to reconcile these accounts as deemed necessary.

Finding No.2021-005 –Clearing Accounts

Recommendation:

All liability clearing accounts, primarily accounts payable, payroll, and utility billing should be analyzed and reconciled every month to the related application. Balances should be identifiable and should clear within a timely manner.

Action Taken:

Staff will include reconciliation of all clearing accounts in month-end procedures to ensure all balances have cleared the accounts in a timely manner.

If anyone has questions regarding this plan, please call William E. Johnson, III, City Manager, at 434-634-3332.

Sincerely,



William E. Johnson, III
City Manager

City of Emporia, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2021

Financial Statements

Findings -Financial Reporting

Finding 2020-001

Condition:

The City had outstanding journal entries that were originally not posted to the June 30, 2020 balances so various general ledger reports and trial balances did not match.

Recommendation:

The City's personnel need proper training on the BAI software.

Current Status:

Due to continued turnover during the fiscal years 2019 through 2021, the City needs to continue stressing the importance of training and consultations with BAI Municipal Software. Journal entries were in holding files and not posted so general ledger account balances were not correct until January 2023.

Finding 2020-002 (Reissued May 26, 2022)

Condition:

Bank reconciliations were not prepared for any months subsequent to August 2019 until January 2022.

Recommendation:

The City should prepare monthly bank reconciliations timely.

Current Status:

Timely bank reconciliations are still a problem with the City. The June 2021 bank reconciliations were not provided to the auditors until November 2022.