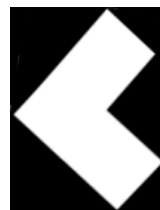


City of Emporia, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2017



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

City of Emporia, Virginia

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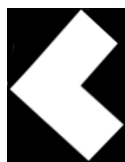
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FINANCIAL SECTION





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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Emporia, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Emporia, Virginia (including its blended component units), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Emporia, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Emporia, Virginia (including its blended component units), as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-8 and budgetary comparison information, schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer contributions, and notes to required supplementary information on pages 56-64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Emporia, Virginia's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 June 11, 2018, on our consideration of the City of Emporia, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Emporia, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
June 11, 2018

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, 2017. We encourage readers to read this discussion and analysis in conjunction with the City's basic financial statements.

Financial Highlights

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$25,425,316. Of this amount, \$11,177,588 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year, general and program revenues of the City were \$18,554,752 and expenses amounted to \$17,582,304. The City's total net position increased \$972,448 after the restatement of net position.
- For business-type activities, revenues were \$3,443,690 and expenses were \$2,959,553. The net position increased by \$484,137.

Highlights for Fund Financial Statements

- As of June 30, 2017, the City's Governmental Funds reported combined fund balances of \$14,112,793, an increase of \$405,819 in comparison with the prior year. Approximately 80.41 percent of the combined fund balances, \$11,335,100 is available to meet the City's current and future needs.
- The General Fund reported a fund balance of \$11,347,773, an increase of \$450,188 from June 30, 2016.

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 agency funds. Agency funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

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, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets						
Current and other assets	\$ 15,512,523	\$ 15,134,127	\$ 4,011,567	\$ 4,389,601	\$ 19,524,090	\$ 19,523,728
Capital assets (net)	15,857,494	15,114,395	21,076,796	20,943,817	36,934,290	36,058,212
Total Assets	31,370,017	30,248,522	25,088,363	25,333,418	56,458,380	55,581,940
Deferred Outflows of Resources	<u>1,023,139</u>	<u>409,103</u>	<u>244,173</u>	<u>99,839</u>	<u>1,267,312</u>	<u>508,942</u>
Total Assets and Deferred Outflows of Resources	\$ 32,393,156	\$ 30,657,625	\$ 25,332,536	\$ 25,433,257	\$ 57,725,692	\$ 56,090,882
Liabilities						
Other liabilities	\$ 978,589	\$ 1,336,922	\$ 459,945	\$ 663,846	\$ 1,438,534	\$ 2,000,768
Long-term liabilities	9,251,797	8,218,847	21,057,778	21,305,317	30,309,575	29,524,164
Total Liabilities	10,230,386	9,555,769	21,517,723	21,969,163	31,748,109	31,524,932
Deferred Inflows of Resources	<u>519,446</u>	<u>681,185</u>	<u>32,821</u>	<u>166,239</u>	<u>552,267</u>	<u>847,424</u>
Net Position						
Net investment in capital assets	9,628,849	8,799,295	825,141	149,993	10,453,990	8,949,288
Restricted	2,765,020	1,174,201	1,028,718	1,341,723	3,793,738	2,515,924
Unrestricted	9,249,455	10,447,175	1,928,133	1,806,139	11,177,588	12,253,314
Total Net Position	21,643,324	20,420,671	3,781,992	3,297,855	25,425,316	23,718,526
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 32,393,156	\$ 30,657,625	\$ 25,332,536	\$ 25,433,257	\$ 57,725,692	\$ 56,090,882

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 \$25,425,316 at June 30, 2017. A large portion of the reporting entity's net position, \$10,453,990 reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition. Net position which is unrestricted totals \$11,177,588 and is the largest part of the City's equity.

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, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues						
Charges for services	\$ 1,669,554	\$ 1,754,259	\$ 3,374,005	\$ 3,265,050	\$ 5,043,559	\$ 5,019,309
Operating grants and contributions	3,864,993	4,886,268	-	-	3,864,993	4,886,268
General Revenues						
General property taxes, real and personal	4,859,645	4,926,691	-	-	4,859,645	4,926,691
Other taxes	6,911,001	6,908,879	-	-	6,911,001	6,908,879
Grants and contributions not restricted to specific programs	865,949	622,197	-	-	865,949	622,197
Unrestricted revenues from use of property	213,043	2,879	-	-	213,043	2,879
Investment earnings	97,556	72,189	14,169	9,627	111,725	81,816
Miscellaneous	73,011	421,835	55,516	3,445	128,527	425,280
Total Revenues	18,554,752	19,595,197	3,443,690	3,278,122	21,998,442	22,873,319
Expenses						
General government administration	1,454,838	1,581,534	-	-	1,454,838	1,581,534
Judicial administration	3,038,569	3,146,157	-	-	3,038,569	3,146,157
Public safety	3,122,790	3,433,400	-	-	3,122,790	3,433,400
Public works	3,151,065	1,502,396	-	-	3,151,065	1,502,396
Health and welfare	452,134	282,743	-	-	452,134	282,743
Education	4,591,070	4,525,683	-	-	4,591,070	4,525,683
Parks, recreation, and cultural	379,060	262,516	-	-	379,060	262,516
Community development	1,235,304	2,544,968	-	-	1,235,304	2,544,968
Water and sewer	-	-	2,504,640	2,318,512	2,504,640	2,318,512
Interest on long-term debt	157,474	208,755	454,913	444,560	612,387	653,315
Total Expenses	17,582,304	17,488,152	2,959,553	2,763,072	20,541,857	20,251,224
Increase in Net Position Before Transfers	972,448	2,107,045	484,137	515,050	1,456,585	2,622,095
Transfers	-	31,967	-	(31,967)	-	-
Change in Net Position	972,448	2,139,012	484,137	483,083	1,456,585	2,622,095
Beginning Net Position (Restated)	20,670,876	18,281,659	3,297,855	2,814,772	23,968,731	21,096,431
Ending Net Position	\$ 21,643,324	\$ 20,420,671	\$ 3,781,992	\$ 3,297,855	\$ 25,425,316	\$ 23,718,526

*See Note 22 for more information regarding the financial statement restatement.

Governmental activities increased the City's net position by \$972,448 for fiscal year 2017. Revenues from governmental activities totaled \$18,554,752. Other taxes comprise the largest source of these revenues, totaling \$6,911,001 or 37.25 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$17,582,304. Education was the City's largest program with expenses totaling \$4,591,070. Public works, which totals \$3,151,065, 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, 2017 and 2016

	<u>2017</u>		<u>2016</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	\$ 1,454,838	\$ (1,290,662)	\$ 1,581,534	\$ 3,330,664
Judicial administration	3,038,569	(2,931,312)	3,146,157	(2,379,167)
Public safety	3,122,790	(1,373,393)	3,433,400	(3,274,521)
Public works	3,151,065	(1,181,951)	1,502,396	(699,936)
Health and welfare	452,134	(452,134)	282,743	(282,743)
Education	4,591,070	(3,413,246)	4,525,683	(4,525,683)
Parks, recreation, and cultural	379,060	(374,060)	262,516	(262,516)
Community development	1,235,304	(873,525)	2,544,968	(2,544,968)
Interest on long-term debt	<u>157,474</u>	<u>(157,474)</u>	<u>208,755</u>	<u>(208,755)</u>
Total	<u>\$ 17,582,304</u>	<u>\$ (12,047,757)</u>	<u>\$ 17,488,152</u>	<u>\$ (10,847,625)</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of June 30, 2017, the City's Governmental Funds reported a combined ending fund balance of \$14,112,793. Approximately, 80.41 percent or \$11,347,773 is available for spending at the government's discretion (unassigned fund balance).

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$11,206,779 and a restricted fund balance of \$1,433,538. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 62.55% 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, 2017 and 2016

	<u>2017</u>			<u>2016</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	\$ 11,076,704	\$ 11,076,704	\$ 11,845,186	\$ 11,080,493	\$ 11,080,493	\$ 11,865,109
Other	2,928,836	3,837,733	2,251,818	3,134,603	3,597,810	2,247,171
Intergovernmental	<u>4,087,919</u>	<u>5,930,162</u>	<u>4,730,942</u>	<u>5,910,507</u>	<u>6,027,660</u>	<u>5,508,465</u>
Total Revenues	18,093,459	20,844,599	18,827,946	20,125,603	20,705,963	19,620,745
Expenditures	<u>23,345,459</u>	<u>25,293,415</u>	<u>17,916,819</u>	<u>22,190,603</u>	<u>22,770,963</u>	<u>19,720,933</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,252,000)	(4,448,816)	911,127	(2,065,000)	(2,065,000)	(100,188)
Other Financing Sources (Uses)						
Issuance of debt	5,252,000	5,252,000	188,255	2,065,000	2,065,000	2,135,686
Transfer from Housing Development	<u>-</u>	<u>(803,184)</u>	<u>(649,194)</u>	<u>-</u>	<u>-</u>	<u>130,712</u>
Total Other Financing Sources (Uses)	<u>5,252,000</u>	<u>4,448,816</u>	<u>(460,939)</u>	<u>2,065,000</u>	<u>2,065,000</u>	<u>2,266,398</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,188</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,166,210</u>

Final amended budget revenues were more than the original budget by \$2,751,140.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$1,947,956 primarily because of increased funding for public safety, public works, and community development.

Actual revenues were less than final budget amounts by \$2,016,653 or 9.6 percent, while actual expenditures were \$7,376,596, or 29.17% less than final budget amounts. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2017 include the following:

Revenues Less than Budget

Federal Government	\$ 1,075,199
Miscellaneous	1,295,584

Expenditures Less than Budget

Community Development	\$ 1,313,844
Public Works	5,402,678

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2017, the City's governmental activities net capital assets total \$15,857,494, which represents a net increase of \$140,562 or 0.89% over the previous fiscal year-end balance. The business-type activities net capital assets total \$21,076,796 an increase of \$132,979 or 0.63% percent over the previous fiscal year.

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land and land improvements	\$ 2,170,922	\$ 25,539	\$ 2,196,461
Buildings and improvements	6,393,190	485,624	6,878,814
Construction in progress	1,526,896	(997,540)	529,356
Infrastructure	18,161,986	1,586,827	19,748,813
Furniture, equipment, and vehicles	8,033,071	194,415	8,227,486
Total Capital Assets	36,286,065	1,294,865	37,580,930
Less: Accumulated depreciation and amortization	(20,569,133)	(1,154,303)	(21,723,436)
Total Capital Assets, Net	<u>\$ 15,716,932</u>	<u>\$ 140,562</u>	<u>\$ 15,857,494</u>

Business-Type Activities

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land and land improvements	\$ 103,471	\$ -	\$ 103,471
Buildings and systems	17,924,111	1,693,328	19,617,439
Construction in progress	11,940,306	(1,195,866)	10,744,440
Furniture, equipment, and vehicles	1,310,223	74,367	1,384,590
Total Capital Assets	31,278,111	571,829	31,849,940
Less: Accumulated depreciation and amortization	(10,334,294)	(438,850)	(10,773,144)
Total Capital Assets, Net	<u>\$ 20,943,817</u>	<u>\$ 132,979</u>	<u>\$ 21,076,796</u>
Total Capital Assets, Net - City of Emporia	<u>\$ 36,660,749</u>	<u>\$ 273,541</u>	<u>\$ 36,934,290</u>

Long-Term Debt

As of June 30, 2017, the City's long-term obligations total \$27,061,756.

	<u>Balance</u> <u>July 1, 2016</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities			
Long-term debt	\$ 6,676,982	\$ (448,337)	\$ 6,228,645
Net OPEB obligation	1,100	498	1,598
Compensated absences	<u>385,605</u>	<u>10,391</u>	<u>395,996</u>
Total Governmental Activities	7,063,687	(437,448)	6,626,239
Business-Type Activities			
Long-term debt	20,793,824	(542,169)	20,251,655
Compensated absences	<u>153,781</u>	<u>30,081</u>	<u>183,862</u>
Total Business-Type Activities	<u>20,947,605</u>	<u>(512,088)</u>	<u>20,435,517</u>
Total Primary Government	<u>\$ 28,011,292</u>	<u>\$ (949,536)</u>	<u>\$ 27,061,756</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 average unemployment rate for the City of Emporia, Virginia in June 2017 was 5.3 percent. This compares unfavorably to the state's rate of 3.9 percent and the national rate of 4.5 percent.
- According to the 2010 U. S. Census, the population in the City of Emporia, Virginia was 5,927, an increase of 4.6 percent, since the 2000 U. S. Census.
- The per capita income in the City of Emporia, Virginia was \$19,245 compared to \$32,145 for the state, according to the 2010 U. S. Census data.

The fiscal year 2018 adopted budget anticipates general fund revenues and expenditures to be \$27,317,384, a 5.4 percent increase over the fiscal year 2017 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 Sheila J. Cutrell, Finance Director, City of Emporia, Virginia, 201 South Main Street, Emporia, Virginia 23847, telephone 434-634-3332, or visit the City's website at www.ci.emporia.va.us.

BASIC FINANCIAL STATEMENTS



City of Emporia, Virginia

Statement of Net Position

At June 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 11,968,667	\$ 2,541,478	\$ 14,510,145
Receivables, net	720,521	441,371	1,161,892
Due from other governments	1,502,807	-	1,502,807
Cash and investments, restricted	-	1,028,718	1,028,718
Other assets	1,320,528	-	1,320,528
Capital Assets			
Land	2,196,461	103,471	2,299,932
Other capital assets, net of accumulated depreciation	13,661,033	20,973,325	34,634,358
Capital Assets, Net	15,857,494	21,076,796	36,934,290
Total Assets	31,370,017	25,088,363	56,458,380
Deferred Outflows of Resources			
Deferred outflows - pension	1,023,139	244,173	1,267,312
Total Assets and Deferred Outflows of Resources	\$ 32,393,156	\$ 25,332,536	\$ 57,725,692
Liabilities			
Accounts payable and accrued expenses	\$ 556,690	\$ 176,301	\$ 732,991
Due to other governments	353,833	-	353,833
Accrued interest payable	68,066	74,883	142,949
Customer deposits	-	208,761	208,761
Long-Term Liabilities			
<i>Due within one year</i>			
Bonds, loans, and other	665,963	618,300	1,284,263
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	5,602,282	19,651,741	25,254,023
Net OPEB obligation	1,598	-	1,598
Compensated absences	356,396	165,476	521,872
Net pension liability	2,625,558	622,261	3,247,819
Total Liabilities	10,230,386	21,517,723	31,748,109
Deferred Inflows of Resources			
Deferred inflows - prepaid taxes	381,917	-	381,917
Deferred inflows - pension	137,529	32,821	170,350
Total Deferred Inflows of Resources	519,446	32,821	552,267
Net Position			
Net investment in capital assets	9,628,849	825,141	10,453,990
Restricted for			
Fire programs	2,000	-	2,000
Drug seizure	46,691	-	46,691
Courthouse security	1,058,907	-	1,058,907
DHCD - electronic summons system fee	44,910	-	44,910
Program income projects	28,578	-	28,578
Restricted for Animal Shelter & Street Projects	268,996	-	268,996
Four for Life	4,629	-	4,629
Citizen Bank building investment	1,310,309	-	1,310,309
Water Treatment Plant Project	-	1,028,718	1,028,718
Unrestricted	9,249,455	1,928,133	11,177,588
Total Net Position	21,643,324	3,781,992	25,425,316
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 32,393,156	\$ 25,332,536	\$ 57,725,692

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, 2017

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	\$ 1,454,838	\$ -	\$ 164,176	\$ -	\$ (1,290,662)		\$ (1,290,662)
Judicial administration	3,038,569	-	107,257	-	(2,931,312)		(2,931,312)
Public safety	3,122,790	832,009	917,388	-	(1,373,393)		(1,373,393)
Public works	3,151,065	837,545	1,131,569	-	(1,181,951)		(1,181,951)
Health and welfare	452,134	-	-	-	(452,134)		(452,134)
Education	4,591,070	-	1,177,824	-	(3,413,246)		(3,413,246)
Parks, recreation, and cultural	379,060	-	5,000	-	(374,060)		(374,060)
Community development	1,235,304	-	361,779	-	(873,525)		(873,525)
Interest on long-term debt	157,474	-	-	-	(157,474)		(157,474)
Total Governmental Activities	17,582,304	1,669,554	3,864,993	-	(12,047,757)		(12,047,757)
Business-Type Activities							
Water and Sewer Fund	2,959,553	3,374,005	-	-		\$ 414,452	414,452
Total Business-Type Activities	2,959,553	3,374,005	-	-		414,452	414,452
Total Primary Government	\$ 20,541,857	\$ 5,043,559	\$ 3,864,993	\$ -		414,452	(11,633,305)
General Revenues							
Taxes							
General property taxes, real and personal					4,859,645	-	4,859,645
Other local taxes					6,911,001	-	6,911,001
Grants and contributions not restricted to specific programs					865,949	-	865,949
Unrestricted revenues from use of property					213,043	-	213,043
Investment earnings					97,556	14,169	111,725
Miscellaneous					73,011	55,516	128,527
Transfers					-	-	-
Total General Revenues and Transfers					13,020,205	69,685	13,089,890
Change in Net Position					972,448	484,137	1,456,585
Net Position - Beginning of Year (Restated)					20,670,876	3,297,855	23,968,731
Net Position - End of Year					\$ 21,643,324	\$ 3,781,992	\$ 25,425,316

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, 2017

	<u>General Fund</u>	<u>Emporia Redevelopment and Housing Authority Fund</u>	<u>Emporia Industrial Development Authority</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 11,806,500	\$ 47,695	\$ 114,472	\$ 11,968,667
Property taxes receivable, net	143,570	-	-	143,570
Accounts receivable	576,951	-	-	576,951
Due from other governments	1,502,807	-	-	1,502,807
Other assets	10,219	1,310,309	-	1,320,528
Total Assets	<u>\$ 14,040,047</u>	<u>\$ 1,358,004</u>	<u>\$ 114,472</u>	<u>\$ 15,512,523</u>
Liabilities				
Accounts payable	\$ 455,508	\$ -	\$ -	\$ 455,508
Accrued liabilities	101,182	-	-	101,182
Due to other governments	353,833	-	-	353,833
Total Liabilities	910,523	-	-	910,523
Deferred Inflows of Resources				
Unavailable revenue - deferred taxes	107,290	-	-	107,290
Unavailable revenue - taxes - prepaid	381,917	-	-	381,917
Total Deferred Inflows of Resources	489,207	-	-	489,207
Fund Balance				
Restricted for				
Fire programs	2,000	-	-	2,000
Drug seizure	46,691	-	-	46,691
Courthouse security	1,058,907	-	-	1,058,907
DHCD - electronic summons system fee	44,910	-	-	44,910
Program income projects	7,405	21,173	-	28,578
Animal Shelter & Street Projects	268,996	-	-	268,996
Four for Life	4,629	-	-	4,629
Citizen Bank building investment	-	1,310,309	-	1,310,309
Unassigned	<u>11,206,779</u>	<u>26,522</u>	<u>114,472</u>	<u>11,347,773</u>
Total Fund Balance	<u>12,640,317</u>	<u>1,358,004</u>	<u>114,472</u>	<u>14,112,793</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 14,040,047</u>	<u>\$ 1,358,004</u>	<u>\$ 114,472</u>	<u>\$ 15,512,523</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, 2017

Total Fund Balances for Governmental Funds		\$ 14,112,793
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	\$ 2,196,461	
Construction in progress	529,356	
Buildings and improvements, net of accumulated depreciation	3,545,759	
Furniture, equipment, and vehicles, net of accumulated depreciation	1,113,911	
Infrastructure, net of accumulated depreciation	<u>8,472,007</u>	
Total Capital Assets		15,857,494
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes		107,290
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	1,023,139	
Deferred inflows of resources related to pensions	<u>(137,529)</u>	
Total Deferred Outflows and Inflows of Resources		992,900
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	(6,228,645)	
Net pension liability	(2,625,558)	
Accrued interest payable	(68,066)	
Net OPEB obligation	(1,598)	
Compensated absences	<u>(395,996)</u>	
Total		<u>(9,319,863)</u>
Total Net Position of Governmental Activities		<u>\$ 21,643,324</u>

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

City of Emporia, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2017

	<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	\$ 4,934,185	\$ -	\$ -	\$ 4,934,185
Other local taxes	6,911,001	-	-	6,911,001
Permits, privilege fees, and regulatory licenses	43,297	-	-	43,297
Fines and forfeitures	722,475	-	-	722,475
Use of money and property	155,005	282	151,532	306,819
Charges for services	903,782	-	-	903,782
Miscellaneous	73,011	-	-	73,011
Recovered costs	354,248	659	-	354,907
<i>Intergovernmental</i>				
Revenue from the Commonwealth of Virginia	4,071,463	-	-	4,071,463
Revenue from the Federal Government	659,479	-	-	659,479
Total Revenues	18,827,946	941	151,532	18,980,419
Expenditures				
Current				
General government administration	1,462,938	-	-	1,462,938
Judicial administration	3,227,539	-	-	3,227,539
Public safety	3,403,209	-	-	3,403,209
Public works	2,681,228	-	-	2,681,228
Health and welfare	452,134	-	-	452,134
Education - public school system	4,591,070	-	-	4,591,070
Parks, recreation, and cultural	380,166	-	-	380,166
Community development	1,022,432	38,233	695,857	1,756,522
Debt service	696,103	-	111,946	808,049
Total Expenditures	17,916,819	38,233	807,803	18,762,855
Excess (Deficiency) of Revenues Over Expenditures	911,127	(37,292)	(656,271)	217,564
Other Financing Sources (Uses)				
Transfers in (out)	(649,194)	31,323	617,871	-
Issuance of debt	188,255	-	-	188,255
Total Other Financing Sources (Uses)	(460,939)	31,323	617,871	188,255
Net Change in Fund Balance	450,188	(5,969)	(38,400)	405,819
Fund Balance - Beginning of Year (Restated)	12,190,129	1,363,973	152,872	13,706,974
Fund Balance - End of Year	<u>\$ 12,640,317</u>	<u>\$ 1,358,004</u>	<u>\$ 114,472</u>	<u>\$ 14,112,793</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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 405,819

**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	\$ 1,468,802	
Depreciation	<u>(1,328,240)</u>	
		140,562

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. (74,540)

Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.

Debt issued	(188,255)	
Repayments on debt	636,592	
Accrued interest expense	<u>13,983</u>	
Net Adjustment		462,320

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	399,480	
Cost of benefits earned net of employee contributions	<u>(350,304)</u>	
		49,176

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	(10,391)	
Unfunded OPEB obligation	<u>(498)</u>	
Net Adjustment		(10,889)

Change in Net Position of Governmental Activities	\$ <u>972,448</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, 2017

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

Assets**Current Assets**

Cash and investments	\$ 2,541,478
Receivables, net	441,371
Cash and investments, restricted	<u>1,028,718</u>
Total Current Assets	4,011,567

Noncurrent Assets

Capital assets, net	<u>21,076,796</u>
Total Noncurrent Assets	21,076,796

Deferred Outflows of Resources

Deferred outflows - pension	<u>244,173</u>
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Total Assets and Deferred Outflows of Resources	<u>\$ 25,332,536</u>
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Liabilities**Current Liabilities**

Accounts payable and accrued liabilities	\$ 251,184
Customer deposits	208,761
Short-term portion of debt	<u>618,300</u>
Total Current Liabilities	1,078,245

Noncurrent Liabilities

Compensated absences	165,476
Net pension liability	622,261
Long-term portion of debt	<u>19,651,741</u>
Total Noncurrent Liabilities	<u>20,439,478</u>

Total Liabilities	21,517,723
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Deferred Inflows of Resources

Deferred inflows - pension	32,821
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Net Position

Net investment in capital assets	825,141
Restricted - Water Treatment Plant Project	1,028,718
Unrestricted	<u>1,928,133</u>
Total Net Position	<u>3,781,992</u>

Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 25,332,536</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, 2017

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Operating Revenues	
Charges for services, net	\$ 3,256,107
Penalties income	117,898
Miscellaneous	<u>55,516</u>
Total Operating Revenues	3,429,521
Operating Expenses	
Personnel services and benefits	1,275,892
Maintenance, supplies, and vehicle expenses	219,444
Utilities	276,885
Chemicals	92,645
Depreciation	438,850
Other charges	<u>200,924</u>
Total Operating Expenses	<u>2,504,640</u>
Operating Income	924,881
Nonoperating Revenues (Expenses)	
Interest income	14,169
Interest expense	<u>(454,913)</u>
Total Nonoperating Revenues (Expenses)	<u>(440,744)</u>
Change in Net Position	484,137
Total Net Position - Beginning of Year	<u>3,297,855</u>
Total Net Position - End of Year	<u><u>\$ 3,781,992</u></u>

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

City of Emporia, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2017

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

Cash Flows from Operating Activities

Receipts from customers	\$ 3,278,285
Other receipts	55,516
Payments to personnel and suppliers	<u>(2,254,076)</u>
Net Cash Provided by Operating Activities	1,079,725

Cash Flows from Capital and Related Financing Activities

Purchases and construction of capital assets	(571,829)
Proceeds from the issuance of debt	46,424
Principal paid on capital debt	(588,593)
Interest paid on capital debt	<u>(454,913)</u>
Net Cash Used in Capital and Related Financing Activities	(1,568,911)

Cash Flows from Investing Activities

Interest income	<u>14,169</u>
Net Cash Provided by Investing Activities	<u>14,169</u>

Net Decrease in Cash and Cash Equivalents (475,017)

Cash and Cash Equivalents - Beginning of Year 4,045,213

Cash and Cash Equivalents - End of Year \$ 3,570,196

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

Operating income	\$ 924,881
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>	
Depreciation expense	438,850
<i>Changes in assets and liabilities</i>	
Receivables, net	(96,983)
Accounts payable and accrued expenses	(205,164)
Compensated absences	30,081
Customer deposits	1,263
Deferred outflows - pension	(144,334)
Deferred inflows - pension	(133,418)
Net pension liability	<u>264,549</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,079,725</u></u>

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

City of Emporia, Virginia

Notes to the Financial Statements

Year Ended June 30, 2017

1 Summary of Significant Accounting Policies and Use of Estimates

Narrative Profile

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

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

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

1-A. Financial Reporting Entity

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

Inclusions in the Reporting Entity

Blended Component Units

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 \$3,331,195 during fiscal year 2017.

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 \$194,578 during fiscal year 2017 to the Department.

Southside Regional Jail Authority

The Southside Regional Jail Authority was created by the participating localities of the City of Emporia, Virginia and the County of Greensville, Virginia in May 1995. The jail is considered a jointly governed organization of the localities with each locality represented on the Board of the Authority. The City appropriated \$1,237,997 during fiscal year 2017 to the Authority for services rendered.

1-B. Financial Reporting Model

The City's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, and 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. 68–*Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

1-C. Financial Statement Presentation

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

- **Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the City's major governmental funds:
 - **General Fund** – The General Fund is the primary operating fund of the City and accounts for all revenues and expenditures applicable to the general operations of the City which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.

- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds consist of the Emporia Redevelopment and Housing Authority Fund 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 Agency Funds)*** – Fiduciary funds account for assets held by the City in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. Agency Funds consist of the following:
 - a. Private Purpose Trust Funds – The City has no Private Purpose Trust Funds at this time.
 - b. Agency Funds – The City has no Agency Funds at this time.

1-D. Measurement Focus and Basis of Accounting

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, judicial administration, public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property taxes,

sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (general government administration, judicial administration, public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

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

1-E-2 Investments

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

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

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounts were as follows at June 30.

General Fund - taxes receivable	<u>\$88,277</u>
Water and Sewer Fund - accounts receivables	<u>\$11,740</u>

Real and Personal Property Tax Data

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	September 1	June 1
Due Date	December 5	July 1

The City bills and collects its own property taxes.

An interest charge of ten percent per annum is also levied on real property taxes not collected on or before their due date. An interest charge of ten percent 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

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

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

1-E-7 Compensated Absences

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

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

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

1-E-8 Pensions

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 Other Postemployment Benefits Plans

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

1-E-10 Fund Equity

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

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

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

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

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

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

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

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

1-E-11 Operating Revenues and Expenses

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

1-E-12 Interfund Activity

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

1-E-13 Long-Term Obligations

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

1-E-14 Adoption of New GASB Statement

During the fiscal year ended June 30, 2017, the City adopted the following GASB statement:

- Statement No. 82, "*Pension Issues, an Amendment of GASB Statements No. 67, No. 68, and No. 73*"

The adoption of this statement had no effect on the current financial statements.

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, 2017

A budget was not legally adopted for the IDA; 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, 2017</u>		
Petty cash	\$	1,100	
Deposit accounts		<u>15,537,763</u>	
Total Cash and Cash Equivalents	\$	<u>15,538,863</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 11,968,667</u>	<u>\$ 3,570,196</u>	<u>\$ 15,538,863</u>

4 Receivables

Receivables at June 30, 2017 consist of the following:

	<u>General</u>	<u>Business-Type Activities</u>
Property taxes	\$ 231,847	\$ -
Bank stock	36,931	-
Utility taxes	32,350	-
Sanitation fees	65,578	-
Meals and lodging taxes	375,570	-
Court fines	57,951	-
Other	83	290
Water and sewer	-	452,821
Local organizations	<u>8,488</u>	<u>-</u>
Total	808,798	453,111
Allowance for uncollectibles	<u>(88,277)</u>	<u>(11,740)</u>
Net Receivables	<u>\$ 720,521</u>	<u>\$ 441,371</u>

5 Interfund Transfers

Interfund transfers as of June 30, 2017 are as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
Primary Government		
General Fund		
To IDA Fund for operations	\$ 617,871	\$ -
To Redevelopment and Housing Fund for operations	<u>31,323</u>	<u>-</u>
Total General Fund	649,194	-
Redevelopment and Housing Fund		
From General Fund for operations	-	31,323
Industrial Development Authority		
From General Fund for operations	<u>-</u>	<u>617,871</u>
Total Transfers Within Primary Government	<u>\$ 649,194</u>	<u>\$ 649,194</u>

6 Due from Other Governmental Units

Details of the City's receivables from other governmental units, as of June 30, 2017, are as follows:

	<u>General</u>
County of Greenville, Virginia	
School Board - Education	\$ 508,108
Other	<u>4,350</u>
Total County of Greenville, Virginia	512,458
Commonwealth of Virginia	844,024
Other	<u>146,325</u>
Total	<u>\$ 1,502,807</u>

7 Due to Other Governmental Units

Details of the City's payables to other governmental units, as of June 30, 2017, are as follows:

	<u>General</u>
Social Services operations - Greenville County, Virginia	<u>\$ 353,833</u>

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8 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 2,170,922	\$ 25,539	\$ -	\$ 2,196,461
Total Capital Assets Not Being Depreciated	2,170,922	25,539	-	2,196,461
Other Capital Assets				
Buildings and improvements	6,393,190	485,624	-	6,878,814
Construction in progress	1,526,896	473,549	1,471,089	529,356
Infrastructure	18,161,986	1,586,827	-	19,748,813
Furniture, equipment, and vehicles	8,033,071	364,572	170,157	8,227,486
Total Other Capital Assets	34,115,143	2,910,572	1,641,246	35,384,469
Less: Accumulated depreciation for				
Buildings and improvements	3,163,938	169,117	-	3,333,055
Infrastructure	10,617,833	658,973	-	11,276,806
Furniture, equipment, and vehicles	6,787,362	500,150	173,937	7,113,575
Total Accumulated Depreciation	20,569,133	1,328,240	173,937	21,723,436
Other Capital Assets, Net	13,546,010	1,582,332	1,467,309	13,661,033
Net Capital Assets	\$ 15,716,932	\$ 1,607,871	\$ 1,467,309	\$ 15,857,494

Depreciation Expense was Allocated to

General government administration	\$ 269,548
Public safety	393,555
Public works	641,630
Community development	23,507
Total	\$ 1,328,240

Business-Type Activities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 103,471	\$ -	\$ -	\$ 103,471
Total Capital Assets Not Being Depreciated	103,471	-	-	103,471
Other Capital Assets				
Buildings and systems	17,924,111	1,693,328	-	19,617,439
Construction in progress	11,940,306	208,815	1,404,681	10,744,440
Furniture, equipment, and vehicles	1,310,223	74,367	-	1,384,590
Total Other Capital Assets	31,174,640	1,976,510	1,404,681	31,746,469
Less: Accumulated depreciation for				
Buildings and systems	9,150,605	377,117	-	9,527,722
Furniture, equipment, and vehicles	1,183,689	61,733	-	1,245,422
Total Accumulated Depreciation	10,334,294	438,850	-	10,773,144
Other Capital Assets, Net	20,840,346	1,537,660	1,404,681	20,973,325
Net Capital Assets	\$ 20,943,817	\$ 1,537,660	\$ 1,404,681	\$ 21,076,796

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 \$395,996 in the governmental activities. The balance in the business-type activities is \$183,862.

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>General Bonds Payable</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 626,363	159,057	\$ 599,914	\$ 464,786
2019	575,790	141,653	618,153	450,235
2020	400,947	127,308	636,576	435,890
2021	348,941	117,452	656,608	419,840
2022	310,468	108,100	677,871	403,939
2023-2027	1,372,919	430,735	3,688,276	1,765,368
2028-2032	1,610,158	232,939	4,298,760	1,292,787
2033-2037	983,059	45,158	3,299,443	819,899
2038 and thereafter	-	-	5,776,054	1,160,670
Total	<u>\$ 6,228,645</u>	<u>\$ 1,362,402</u>	<u>\$ 20,251,655</u>	<u>\$ 7,213,414</u>

Changes in Long-Term Debt

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

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

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	<u>Balance</u> <u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental Activities					
General Fund					
BB&T lease for police vehicles dated September 15, 2016 with payments of \$2,125 of interest and principal due monthly commencing October 15, 2016 and ending September 15, 2019. Interest rate is fixed at 1.51% per annum.	\$ -	\$ 74,739	\$ 18,369	\$ 56,370	\$ 24,817
BB&T lease for EMS vehicle dated September 15, 2016 with payments of \$1,292 at 1.67% commencing October 15, 2016 and ending September 15, 2021.	-	74,317	10,756	63,561	14,553
General Obligation Refunding Bond, Series 2006 with Carter Bank and Trust, principal amount of \$7,560,000, issued June 15, 2006, with interest at 4.00%, 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)	1,874,540	-	62,951	1,811,589	65,468
Installment note with the Bank of Southside Virginia, principal of \$109,400 entered into on August 11, 2009 with interest at 4.35% due monthly commencing September 11, 2009 until maturity on August 11, 2019.	39,863	-	12,031	27,832	12,570
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 11/01/2020.	-	39,199	8,178	31,021	7,510
2014 Lease with First Citizens Bank initiated on August 25, 2014 for three years at 1.20% maturing on August 25, 2017.	50,760	-	43,465	7,295	7,295
SunTrust Note for DMV building commencing April 1, 2009 with payments of \$9,328.80 at 4.3% ending October 1, 2019.	361,882	-	98,275	263,607	103,435
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%.	271,019	-	46,913	224,106	47,619
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.	1,549,500	-	66,000	1,483,500	68,500
Note with BB&T, principal amount \$462,820 dated May 24, 2012 with monthly payments of \$5,846 beginning April 24, 2012 and ending April 24, 2019 at 1.69% interest.	193,945	-	67,394	126,551	68,542

	<u>Balance July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Capital lease with BB&T for the purchase of two police vehicles beginning on September 9, 2013 with monthly payments of \$1,707.58 ending on September 19, 2016 at 1.58%.	5,110	-	5,110	-	-
Note with Xenith Bank for boat launch and canoe/kayak launch, \$200,000 at 3.75% for 5 years commencing on November 20, 2013.	101,404	-	40,892	60,512	42,415
Note with First Citizens Bank for public works equipment in the amount of \$126,282 at 1.85% for 60 months commencing December 2, 2013 with payments of \$2,205.16 per month.	62,494	-	23,377	39,117	25,958
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.	54,350	-	2,362	51,988	2,444
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 on the 17th of each month.	138,351	-	20,316	118,035	20,761
Lease with Carter Bank & Trust dated January 13, 2016 for two police cruisers with monthly payments of \$1,991 at 1.5% interest over 36 months.	60,511	-	23,143	37,368	23,463
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%.	113,253	-	17,060	96,193	16,013
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.	<u>1,800,000</u>	<u>-</u>	<u>70,000</u>	<u>1,730,000</u>	<u>75,000</u>
Subtotal	6,676,982	188,255	636,592	6,228,645	626,363
Net OPEB obligation	1,100	498	-	1,598	-
Compensated Absences	<u>385,605</u>	<u>277,476</u>	<u>267,085</u>	<u>395,996</u>	<u>39,600</u>
Total Governmental Activities	7,063,687	466,229	903,677	6,626,239	665,963

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.	-	46,424	4,702	41,722	6,368
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.	1,649,000	-	65,000	1,584,000	67,000

	<u>Balance July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
General Obligation Refunding Bond, Series 2006 with Community National Bank, 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. (Utility Fund Portion)	4,148,230	-	139,303	4,008,927	144,877
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.	8,933,988	-	158,485	8,775,503	153,764
Series 2012A General Obligation & Revenue Water System Bonds at 2.00%; interest only for first 24 months, paid annually, then 456 monthly payments of \$5,769.	1,768,956	-	34,465	1,734,491	34,849
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.	<u>4,293,650</u>	<u>-</u>	<u>186,638</u>	<u>4,107,012</u>	<u>193,056</u>
Subtotal	20,793,824	46,424	588,593	20,251,655	599,914
Compensated Absences	<u>153,781</u>	<u>80,856</u>	<u>50,775</u>	<u>183,862</u>	<u>18,386</u>
Total Business-Type Activities	<u>20,947,605</u>	<u>127,280</u>	<u>639,368</u>	<u>20,435,517</u>	<u>618,300</u>
Total Primary Government	<u>\$ 28,011,292</u>	<u>\$ 593,509</u>	<u>\$ 1,543,045</u>	<u>\$ 27,061,756</u>	<u>\$ 1,284,263</u>

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, 2017 is determined as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Net Investment in Capital Assets		
Cost of capital assets	\$ 37,580,930	\$ 31,849,940
Less: Accumulated depreciation	<u>21,723,436</u>	<u>10,773,144</u>
Book value	15,857,494	21,076,796
Less: Capital related debt	<u>6,228,645</u>	<u>20,251,655</u>
Net Investment in Capital Assets	<u>\$ 9,628,849</u>	<u>\$ 825,141</u>

12 Deferred Inflows of Resources

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

Primary Government

General Fund

Delinquent taxes not collected within 60 days	\$ 107,290
Prepaid property taxes - property taxes paid in advance	<u>381,917</u>

Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 489,207</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 Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The City pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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

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, 2017, 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 ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	<u>\$ 344,725,200</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 34,472,520
Amount of Debt Applicable to Debt Limit General obligation debt	<u>6,228,645</u>
Legal Debt Margin	<u>\$ 28,243,875</u>

17 Surety Bond Information

The following constitutional and appointed officers are insured through the Commonwealth of Virginia, Department of the Treasury, and Division of Risk Management in effect at June 30, 2017:

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

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

18 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, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Eligible Members

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

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

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

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

PLAN 2

About Plan 2

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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

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

Eligible Members

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

- Political subdivision employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**Non-Eligible Members*

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

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

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1

Retirement Contributions

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

Creditable Service

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

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

PLAN 2

Retirement Contributions

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

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID

RETIREMENT PLAN

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service

Defined Benefit Component:

Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:

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

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

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

PLAN 1

Calculating the Benefit

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

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

Service Retirement Multiplier

VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

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

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

VRS: Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

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

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

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

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

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

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

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

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

PLAN 2
Normal Retirement Age

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

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

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**
Normal Retirement Age

Defined Benefit Component:

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

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

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

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

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

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

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

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

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

Purchase of Prior Service

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

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

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

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

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

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2015 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	62
Inactive members:	
Vested inactive members	11
Non-vested inactive members	20
Inactive members active elsewhere in VRS	<u>47</u>
Total inactive members	78
Active members	<u>99</u>
Total covered employees	<u>239</u>

Contributions

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

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2017 was 11.18% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$494,817 and \$508,942 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2015, 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, 2016.

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

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

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

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

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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

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

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

Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 23,674,179	\$ 21,799,425	\$ 1,874,754
Changes for the Year			
Service cost	539,612	-	539,612
Interest	1,620,434	-	1,620,434
Benefit changes	-	-	-
Differences between expected and actual experience	288,704	-	288,704
Contributions - employer	-	506,409	(506,409)
Contributions - employee	-	204,860	(204,860)
Net investment income	-	378,168	(378,168)
Benefit payments, including refunds	(1,050,238)	(1,050,238)	-
Refunds of employee contributions	-	(13,592)	13,592
Administrative expenses	-	(160)	160
Other changes	-	-	-
Net Changes	1,398,512	25,447	1,373,065
Balances at June 30, 2016	\$ 25,072,691	\$ 21,824,872	\$ 3,247,819

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

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Political subdivision's			
Net Pension Liability	\$ 6,303,359	\$ 3,247,819	\$ 689,657

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

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$429,905. At June 30, 2017, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 207,607	\$ 170,350
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	564,888	-
Employer contributions subsequent to the measurement date	<u>494,817</u>	<u>-</u>
Total	<u>\$ 1,267,312</u>	<u>\$ 170,350</u>

\$494,817 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30,</u>	
2018	\$ (25,418)
2019	26,910
2020	373,562
2021	227,091
2022	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's Fiduciary Net Position is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

19 Other Postemployment Benefits (OPEB)–Healthcare

Plan Description

A. Health Plan Eligibility

Future retirees of the City are eligible for medical benefits. Current retirees and spouses who are currently receiving medical benefits may continue for the lifetime of the retiree. If the retiree predeceases the spouse, the spouse may continue coverage through COBRA only.

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

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

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

B. Health Plan Benefits

Coverage is for the retiree and eligible dependents. The monthly premiums below are for the year beginning July 1, 2017. Dental and vision are included in the premium.

<u>Medical Option</u>	<u>Retiree</u>	<u>Retiree and One Dependent</u>	<u>Retiree and Family</u>
Anthem KA 500	\$ 585	\$ 1,082	\$ 1,580
Anthem KA 500 Preventative	571	1,056	1,542
Anthem KA Expanded	696	1,288	1,879
Anthem KA Expanded Preventative	682	1,262	1,841
Medicare Supplement	134	268	N/A

C. Employer Contributions

Non-Medicare Eligible Retirees – The City contributes \$561.60 per month towards the retiree's elected coverage for those under the prior plan. Future retirees must pay the entire premium.

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

D. Disability Retirement Benefit

There is no benefit.

E. Death Benefit

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

F. Withdrawal Benefit

The Plan does not include a withdrawal benefit.

G. Benefit Service

The Plan is open to future retirees who must pay the entire premium. Prior existing participants fall under the old plan.

H. Life Insurance

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

Cash and Cash Equivalents

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

Funding Policy

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

Actuarial Methods and Assumptions

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Period	30 years Open
Asset Valuation Method	N/A
Actuarial Assumptions	
Investment rate of return	3.5% annual returns net of both investment and non-actuarial administrative expenses.
Medical Cost Trend Assumption	<i>Health:</i> Getzen Trend Model - 6.00% for 2014-2015 5.40% for 2015-2016 5.30% for 2015-2017 5.20% for 2017-2019
Payroll Growth Rate	3.00%

Net OPEB Obligations and Annual OPEB Cost

This summary identifies the value of benefits at June 30, 2017 and costs for the fiscal years through June 30, 2017 reflecting the unfunded approach, utilizing a discount rate of 4 percent (10-Year Phase In), and amortizing the Unfunded Actuarial Accrued Liability as a level dollar amount. A summary of the net OPEB obligation is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Interest on OPEB Obligation</u>	<u>Adjustment to ARC</u>	<u>Net OPEB Cost at End of FY</u>	<u>Contributions for FY</u>	<u>Change in Net OPEB Obligation</u>	<u>Net OPEB Obligation End of FY</u>
6/30/2015	\$ 61,300	\$ 1,152	\$ (34,080)	\$ 28,372	\$ 29,400	\$ (1,028)	\$ 31,900
6/30/2016	32,000	1,117	(33,017)	100	30,900	(30,800)	1,100
6/30/2017	29,700	39	(41)	29,698	29,200	498	1,598

Three Year Trend

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 28,372	104.00%	\$ 31,900
6/30/2016	100	30900.00%	1,100
6/30/2017	29,698	98.00%	1,598

Schedule of Funding Progress

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Liability (AAL) - Projected Unit Credit</u> (b)	<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Estimated Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> (b-a)/(c)
6/30/2011	\$ -	\$ 180,100	\$ 180,100	0.00%	\$ -	N/A
6/30/2014	-	88,100	88,100	0.00%	-	N/A
6/30/2017	-	364,700	364,700	0.00%	4,512,300	8.08%

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percent Funded</u>
6/30/2015	\$ 28,372	\$ 29,400	104.00%
6/30/2016	100	30,900	30900.00%
6/30/2017	29,698	29,200	98.00%

20 Fund Balances – Governmental Funds

As of June 30, 2017, fund balances are composed of the following:

	<u>Primary Government</u>			<u>Total</u>
	<u>General</u>	<u>Emporia</u>	<u>Emporia</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Redevelopment</u>	<u>Industrial</u>	<u>Funds</u>
		<u>and Housing</u>	<u>Development</u>	
		<u>Authority Fund</u>	<u>Authority Fund</u>	
Restricted for				
Fire program	\$ 2,000	\$ -	\$ -	\$ 2,000
Drug seizure	46,691	-	-	46,691
Courthouse security	1,058,907	-	-	1,058,907
DHCD - electronic summons system fee	44,910	-	-	44,910
Program income projects	7,405	21,173	-	28,578
Animal Shelter & Street Projects	268,996	-	-	268,996
Four for Life	4,629	-	-	4,629
Citizens Bank building investment	-	1,310,309	-	1,310,309
	1,433,538	1,331,482	-	2,765,020
Unassigned	11,206,779	26,522	114,472	11,347,773
Total Fund Balances	<u>\$ 12,640,317</u>	<u>\$ 1,358,004</u>	<u>\$ 114,472</u>	<u>\$ 14,112,793</u>

21 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, 2017.

<u>Type Business</u>	<u>Purpose</u>	<u>Percentage</u>	<u>Amount of</u>
		<u>of Taxes</u>	<u>Taxes Abated</u>
		<u>Abated During</u>	<u>During the</u>
		<u>the Fiscal Year</u>	<u>Fiscal Year</u>
Manufacturing	Machinery and tools tax	50.000%	\$ 95,158
	Utility tax (local)		

22 Restatement of Beginning Balances

Governmental Activities

The beginning net position of the Governmental Activities in the government-wide Statement of Net Position has been restated to eliminate encumbrances, correct due to social services beginning balances, and include the Industrial Development Authority as a blended entity within the financial statements. A reconciliation of the prior period ending net position to the current year beginning net position for the Governmental Activities is as follows:

Original Beginning Net Position	\$ 20,511,336
Restatement for Encumbrance correction	(90,664)
Restatement for Due to Social Services	(143,323)
Restatement for IDA inclusion	<u>393,527</u>
Restated Beginning Net Position	<u>\$ 20,670,876</u>

Governmental Funds

The beginning fund balance of the general fund has been restated on the fund basis financial statements to record a prior period adjustment to eliminate encumbrances, correct due to social services beginning balances, and include the Industrial Development Authority as a blended entity. A reconciliation of the prior period ending fund balance to the current year beginning fund balance is as follows:

Governmental Funds

	<u>General Fund</u>	<u>IDA</u>
Original Beginning Fund Balance	\$ 12,424,116	\$ -
Restatement for Encumbrance correction	(90,664)	-
Restatement for Due to Social Services	(143,323)	-
Restatement for IDA inclusion	<u>-</u>	<u>152,872</u>
Restated Beginning Fund Balance	<u>\$ 12,190,129</u>	<u>\$ 152,872</u>

23 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2017 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2017. Management has performed their analysis through June 11, 2018.

REQUIRED SUPPLEMENTARY INFORMATION



City of Emporia, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2017

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 3,049,204	\$ 3,049,204	\$ 2,905,771	\$ (143,433)
Personal property taxes	1,190,000	1,190,000	1,386,615	196,615
Public service corporation property taxes	190,000	190,000	195,095	5,095
Delinquent taxes	165,000	165,000	386,038	221,038
Penalties and interest on taxes	55,000	55,000	60,666	5,666
Total General Property Taxes	4,649,204	4,649,204	4,934,185	284,981
Other Local Taxes				
Local sales and use taxes	1,650,000	1,650,000	1,945,590	295,590
Consumers' utility taxes	392,000	392,000	394,261	2,261
Business license taxes	730,000	730,000	772,731	42,731
Motor vehicle licenses	108,000	108,000	91,247	(16,753)
Bank stock taxes	133,000	133,000	177,859	44,859
Tax on recordation and wills	14,500	14,500	23,700	9,200
Lodging taxes	1,275,000	1,275,000	1,389,063	114,063
Meals taxes	2,125,000	2,125,000	2,116,550	(8,450)
Total Other Local Taxes	6,427,500	6,427,500	6,911,001	483,501
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	2,100	2,100	2,540	440
Planning and zoning	2,500	2,500	4,225	1,725
Building permits	13,000	13,000	36,532	23,532
Total Permits, Privilege Fees, and Regulatory Licenses	17,600	17,600	43,297	25,697
Fines and Forfeitures				
	1,000,000	1,000,000	722,475	(277,525)
Revenue from Use of Money and Property				
Revenue from use of money	56,500	56,500	97,274	40,774
Revenue from use of property	1,000	1,000	57,731	56,731
Total Revenue from Use of Money and Property	57,500	57,500	155,005	97,505

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Charges for Services				
Charges for fire services	75,000	75,000	109,329	34,329
Charges for animal control	-	-	205	205
Charges for sanitation and waste removal	806,500	806,500	794,248	(12,252)
Total Charges for Services	881,500	881,500	903,782	22,282
Recovered Costs				
From Greensville County, Virginia	291,205	291,205	246,449	(44,756)
Other recovered costs	221,333	221,333	107,799	(113,534)
Total Recovered Costs	512,538	512,538	354,248	(158,290)
Miscellaneous	459,698	1,368,595	73,011	(1,295,584)
Total Miscellaneous	459,698	1,368,595	73,011	(1,295,584)
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Auto rental taxes	32,000	32,000	25,859	(6,141)
Rolling stock taxes - motor vehicle carriers tax	12,500	12,500	11,853	(647)
Personal Property Tax Relief	570,319	570,319	570,320	1
Communication taxes	260,000	260,000	251,874	(8,126)
Recordation and grantors' tax	5,000	5,000	6,043	1,043
Total Noncategorical Aid	879,819	879,819	865,949	(13,870)
<i>Categorical Aid</i>				
Shared Expenses				
Sheriff	144,000	144,000	143,980	(20)
Commissioner of the Revenue	65,000	65,000	65,594	594
Treasurer	62,000	62,000	64,332	2,332
Registrar/Electoral Board	35,288	35,288	34,250	(1,038)
Law enforcement grants	212,293	212,293	212,292	(1)
Emergency services grants	-	-	4,629	4,629
Litter control	-	6,192	6,192	-
State asset forfeiture funds	10,000	10,000	4,071	(5,929)
E 911 Wireless	58,000	58,000	57,553	(447)
Fire program funds	-	18,000	20,000	2,000
State sales tax - education	1,206,277	1,206,277	1,177,824	(28,453)
Virginia Commission for the Arts	5,000	5,000	5,000	-
Street and highway maintenance	1,087,142	1,087,142	1,125,377	38,235
Family violence prevention	145,000	145,000	60,612	(84,388)
Virginia Juvenile Community Crime Control	63,101	63,101	63,101	-
Criminal justice service - Sexual Assault	6,320	60,653	74,358	13,705
Criminal justice service - Victim Witness	14,579	27,719	22,789	(4,930)
Other state funds	-	50,000	3,560	(46,440)
Tobacco Region Opportunity Funds	-	60,000	60,000	-
Total Categorical Aid	3,114,000	3,315,665	3,205,514	(110,151)
Total Revenue from the Commonwealth of Virginia	3,993,819	4,195,484	4,071,463	(124,021)

Variance
With
Final Budget
Positive
(Negative)

Original
Budget

Final
Budget

Actual

Revenue from the Federal Government

Department of Justice grants - Sexual Assault Grant	25,280	242,612	223,075	(19,537)
Department of Justice grants - Sexual Assault Formula	14,797	14,797	11,210	(3,587)
Dept. of Housing and Urban Development - Belfield	-	313,529	290,219	(23,310)
Dept. of Housing and Urban Development - Atlantic	-	1,000,000	8,000	(992,000)
Emergency services grants	10,285	10,285	10,285	-
DOJ Justice Assistance grants	-	14,699	14,699	-
Federal forfeiture funds	-	-	17,523	17,523
Victim Witness Assistance	43,738	83,157	68,369	(14,788)
Victim Witness - New Initiative Grant	-	55,599	16,099	(39,500)
Total Revenue from the Federal Government	94,100	1,734,678	659,479	(1,075,199)
Total Intergovernmental Revenues	4,087,919	5,930,162	4,730,942	(1,199,220)
Total Revenues	18,093,459	20,844,599	18,827,946	(2,016,653)

Expenditures

Current

General Government Administration

Legislative	189,296	189,296	179,782	9,514
City Manager	475,493	478,027	481,901	(3,874)
Legal services	44,700	44,700	40,759	3,941
Commissioner of Revenue	271,419	271,419	262,950	8,469
Treasurer	115,103	115,103	108,186	6,917
Director of Finance	228,227	225,693	222,127	3,566
Data processing	31,145	30,128	60,916	(30,788)
Board of Elections	106,240	106,240	106,317	(77)
Total General Government Administration	1,461,623	1,460,606	1,462,938	(2,332)

Judicial Administration

Circuit Court - shared services	2,309,889	2,321,803	2,194,397	127,406
Juvenile and Domestic Relations Court	147,466	147,466	143,147	4,319
Sheriff	283,524	285,341	279,951	5,390
Family violence	191,397	487,057	393,251	93,806
Victim Witness	58,317	166,475	107,278	59,197
VJCCC Grant	109,515	109,515	109,515	-
Total Judicial Administration	3,100,108	3,517,657	3,227,539	290,118

Public Safety

Police Department	3,222,671	3,296,022	2,978,208	317,814
Volunteer Fire Department	86,078	221,828	205,133	16,695
Ambulance and rescue service	23,512	16,384	21,013	(4,629)
Animal control	132,363	132,363	124,114	8,249
Emergency services	79,297	79,297	74,741	4,556
Total Public Safety	3,543,921	3,745,894	3,403,209	342,685

Public Works

Maintenance of highways, streets, bridges, sidewalks	1,202,605	1,189,438	965,096	224,342
Refuse collection	709,317	765,368	759,383	5,985
Engineering	129,562	129,562	128,504	1,058
City Shop	182,171	182,171	180,274	1,897
General buildings and grounds	5,526,367	5,817,367	647,971	5,169,396
Total Public Works	7,750,022	8,083,906	2,681,228	5,402,678

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Health and Welfare</i>				
Local health	76,362	76,362	76,362	-
Mental Health and Mental Retardation	39,471	39,471	39,471	-
Comprehensive services	156,943	156,943	156,943	-
Welfare and social services	198,612	198,612	179,358	19,254
Total Health and Welfare	471,388	471,388	452,134	19,254
<i>Education</i>				
Superintendent	500	500	500	-
Contract services (shared costs)	4,536,972	4,536,972	4,546,002	(9,030)
Community Colleges	44,568	44,568	44,568	-
Total Education	4,582,040	4,582,040	4,591,070	(9,030)
<i>Parks, Recreation, and Cultural</i>				
Parks and recreation	299,556	299,556	285,217	14,339
Regional library	94,949	94,949	94,949	-
Total Parks, Recreation, and Cultural	394,505	394,505	380,166	14,339
<i>Community Development</i>				
Zoning Board	620,629	609,445	451,741	157,704
Economic development	371,349	1,622,863	471,308	1,151,555
Airport Commission	62,350	62,350	62,350	-
Cooperative Extension Program	41,618	41,618	37,033	4,585
Total Community Development	1,095,946	2,336,276	1,022,432	1,313,844
<i>Debt Service</i>	945,906	701,143	696,103	5,040
Total Expenditures	23,345,459	25,293,415	17,916,819	7,376,596
Excess (Deficiency) of Revenues Over Expenditures	(5,252,000)	(4,448,816)	911,127	5,359,943
Other Financing Sources (Uses)				
Transfers out	-	(803,184)	(649,194)	153,990
Issuance of debt	5,252,000	5,252,000	188,255	(5,063,745)
Total Other Financing Sources (Uses)	5,252,000	4,448,816	(460,939)	(4,909,755)
Net Change in Fund Balance	\$ -	\$ -	450,188	\$ 450,188
Fund Balance - Beginning of Year (Restated)			12,190,129	
Fund Balance - End of Year			\$ 12,640,317	

Emporia Redevelopment and Housing Authority Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Recovered costs	\$ 3,938	\$ 3,938	\$ 659	\$ (3,279)
Use of money and property	290	290	282	(8)
Other revenue	<u>125,811</u>	<u>125,811</u>	<u>-</u>	<u>(125,811)</u>
Total Revenues	130,039	130,039	941	(129,098)
Expenditures				
Community Development	<u>81,443</u>	<u>81,443</u>	<u>38,233</u>	<u>43,210</u>
Excess (Deficiency) of Revenues Over Expenditures	48,596	48,596	(37,292)	(85,888)
Other Financing Sources (Uses)				
Transfers in	<u>(100,811)</u>	<u>(100,811)</u>	<u>31,323</u>	<u>132,134</u>
Net Change in Fund Balance Before Transfer from Surplus	(52,215)	(52,215)	(5,969)	46,246
Transfer from Surplus Funds	<u>52,215</u>	<u>52,215</u>	<u>-</u>	<u>(52,215)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(5,969)	<u>\$ (5,969)</u>
Fund Balance - Beginning of Year			<u>1,363,973</u>	
Fund Balance - End of Year			<u>\$ 1,358,004</u>	

Emporia Industrial Development Authority

	<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	-	-	151,532	151,532
Total Revenues	-	-	151,532	151,532
Expenditures				
Community Development	-	-	695,857	(695,857)
Debt Service	-	-	111,946	(111,946)
Total Expenditures	-	-	807,803	(807,803)
Excess (Deficiency) of Revenues Over Expenditures	-	-	(656,271)	959,335
Other Financing Sources (Uses)				
Transfers in	-	-	617,871	617,871
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(38,400)	<u>\$ 1,577,206</u>
Fund Balance - Beginning of Year (Restated)			<u>152,872</u>	
Fund Balance - End of Year			<u>\$ 114,472</u>	

City of Emporia, Virginia

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 539,612	\$ 504,675	\$ 509,477
Interest	1,620,434	1,573,674	1,499,113
Changes of benefit terms	-	-	-
Differences between expected and actual experience	288,704	(393,028)	-
Changes in assumptions	-	-	-
Benefit Payments, including refunds of employee contributions	<u>(1,050,238)</u>	<u>(984,394)</u>	<u>(902,468)</u>
Net change in total pension liability	1,398,512	700,927	1,106,122
Total pension liability - beginning	<u>23,674,179</u>	<u>22,973,252</u>	<u>21,867,130</u>
Total pension liability - ending (a)	<u>\$ 25,072,691</u>	<u>\$ 23,674,179</u>	<u>\$ 22,973,252</u>
 Plan fiduciary net position			
Contributions - employer	\$ 506,409	\$ 508,462	\$ 528,196
Contributions - employee	204,860	206,241	214,325
Net investment income	378,168	963,146	2,898,251
Benefit Payments, including refunds of employee contributions	<u>(1,050,238)</u>	<u>(984,394)</u>	<u>(902,468)</u>
Administrative expense	<u>(13,592)</u>	<u>(13,256)</u>	<u>(15,585)</u>
Other	<u>(160)</u>	<u>(203)</u>	<u>153</u>
Net change in plan fiduciary net position	25,447	679,996	2,722,872
Plan fiduciary net position - beginning	<u>21,799,425</u>	<u>21,119,429</u>	<u>18,396,557</u>
Plan fiduciary net position - ending (b)	<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>\$ 3,247,819</u>	<u>\$ 1,874,754</u>	<u>\$ 1,853,823</u>
 Plan fiduciary net position as a percentage of the total Pension liability	12.95%	7.92%	8.07%
 Covered payroll	\$ 4,168,417	\$ 4,140,695	\$ 4,116,544
 Political subdivision's net pension liability as a percentage of covered payroll	77.91%	45.28%	45.03%

City of Emporia, Virginia

Schedule of Employer Contributions

For the Years Ended June 30, 2015 through 2017

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2017	\$ 494,817	\$ 494,817	\$ -	\$ 4,475,770		11.1%
2016	508,942	508,942	-	4,168,417		12.2%
2015	508,460	508,460	-	4,140,695		12.3%

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2015 is not available.

For Reference Only:

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

Column 2 – Actual employer contribution remitted to VRS

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, 2017

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2015 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2015 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 is not material.

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

COMPLIANCE SECTION





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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 the City of Emporia, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Emporia, Virginia's basic financial statements, and have issued our report thereon dated June 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Emporia, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Emporia, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Emporia, Virginia's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
June 11, 2018



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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

We have audited the City of Emporia, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Emporia, Virginia's major federal programs for the year ended June 30, 2017. City of Emporia, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Emporia, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, the Uniform Guidance, and specifications require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Emporia, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Emporia, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
June 11, 2018



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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, 2017, and have issued our report thereon dated June 11, 2018.

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
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Personal Property Tax Relief Act

State Agency Requirements

- Social Services
- Education
- Children's Services Act Funds
- Economic Development Opportunity Fund

The results of our tests disclosed two instances of noncompliance with the provisions referred to in the preceding paragraph. They are as follows: 1) Two financial institutions were not reported as public deposit as of June 30, 2017 and 2) conflict of interest statements were not signed timely. 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 & Alga, P.C.

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

South Hill, Virginia
June 11, 2018

City of Emporia, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	<u>Federal CFDA Number</u>	<u>Pass- through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U. S. Department of Housing and Urban Development (HUD)			
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Housing and Community Development</i>			
Community Development Block Grants/State's Program	14.228	165	\$ 298,219
Subtotal - U. S. Department of Housing and Urban Development			298,219
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
Subtotal - U. S. Department of Homeland Security			10,285
U. S. Department of Justice (DOJ)			
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Criminal Justice Services</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	140	14,699
Victim Witness Assistance Grant	16.575	140	68,369
Sexual Assault Grant	16.575	140	223,075
Victim Witness Program/New Initiative Grant	16.575	140	16,099
Subtotal - CFDA #16.575			307,543
Sexual Assault Services Formula Program	16.017	140	11,210
Subtotal - U. S. Department of Justice			333,452
U.S. Department of Agriculture (USDA)			
Direct Payments			
<i>Rural Utilities Service</i>			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	179,460
Subtotal - U. S. Department of Agriculture			179,460
Grand Totals			\$ 821,416

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, 2017. 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 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. Subrecipients

No awards passed through to subrecipients.

5. Federal Loans Outstanding

City of Emporia, Virginia had the following federal loan balances outstanding at year-end:

Federal Loans Outstanding through United States Department of Agriculture Program	<u>Federal Catalog Number</u>	<u>Amount Outstanding</u>
<i>Rural Utilities Service</i>		
Water and Waste Disposal Systems for Rural Communities		
USDA Rural Development General Obligation Water System		
Bond Series 2013A	10.760	<u>\$ 8,775,503</u>

City of Emporia, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

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

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

Major programs:

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

16.575	Crime Victim Assistance
--------	-------------------------

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

Auditee qualified as low-risk auditee? Yes

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

None

3. Findings and Questioned Costs Relating to Federal Awards

None