

City of Emporia, Virginia

*Annual Comprehensive Financial Report
Year Ended June 30, 2022*

City of Emporia, Virginia
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Year Ended June 30, 2022

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I. FINANCIAL SECTION





Independent Auditor's Report

To the City Council
City of Emporia, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Emporia, Virginia (including its blended component units), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Emporia, Virginia's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Emporia, Virginia (including its blended component units), as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Emporia, Virginia's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Emporia, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Emporia, Virginia's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

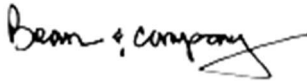
provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Emporia, Virginia's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023, on our consideration of the City of Emporia, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Emporia, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Emporia, Virginia's internal control over financial reporting and compliance.



Greenbelt, Maryland
December 15, 2023

Management's Discussion and Analysis

The management of the City of Emporia, Virginia presents the following discussion and analysis as an overview of the City of Emporia, Virginia's financial activities for the fiscal year ending June 30, 2022. We encourage readers to read this discussion and analysis in conjunction with the City's basic financial statements.

Financial Highlights

- At the close of the fiscal year, the assets and deferred outflows of resources of the City's governmental activities exceeded its liabilities and deferred inflows of resources by \$23,104,365. Of this amount, \$11,661,209 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$1,650,876 with an unrestricted balance of \$(684,193).
- As of June 30, 2022, the City's Governmental Funds reported combined ending fund balances of \$14,550,485. Approximately 89.7% of this amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of fiscal year 2022, the General Fund unassigned fund balance was \$13,019,514, or approximately 56.1% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the City include general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, and community development. Public utilities represent 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 can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the long-term focus of the government -wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Emporia Redevelopment and Housing Authority Fund, and Emporia Industrial Development Authority, all of which are considered to be major funds.

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

Fiduciary Funds – The City is the trustee, or fiduciary, for the City's custodial funds. Custodial funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government- wide financial statements.

Notes to the Basic Financial Statements

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

Other

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

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

Financial Analysis Of The City As A Whole

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2022 and 2021

| | Governmental Activities | | Business Type Activities | | Total Primary Government | |
|--|--------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | | | |
| Current and Other Assets | \$21,327,177 | \$17,230,827 | \$ 6,294,751 | \$11,483,825 | \$27,621,928 | \$28,714,652 |
| Capital Assets (Net) | <u>15,226,374</u> | <u>15,011,058</u> | <u>31,274,154</u> | <u>27,879,246</u> | <u>46,500,528</u> | <u>4,289,030</u> |
| Total Assets | 36,553,551 | 32,241,885 | 37,568,905 | 39,363,071 | 74,122,456 | 33,003,682 |
| Deferred Outflows of Resources | <u>2,285,711</u> | <u>1,726,623</u> | <u>435,373</u> | <u>328,882</u> | <u>2,721,084</u> | <u>2,055,505</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$38,839,262</u> | <u>\$33,968,508</u> | <u>\$38,004,278</u> | <u>\$39,691,953</u> | <u>\$76,843,540</u> | <u>\$73,660,461</u> |
| Liabilities | | | | | | |
| Current and Other Liabilities | 7,202,218 | 3,259,061 | 2,536,596 | 1,230,205 | 9,738,814 | 4,489,266 |
| Long-term Liabilities | <u>5,183,767</u> | <u>9,340,389</u> | <u>33,132,667</u> | <u>34,370,036</u> | <u>38,316,434</u> | <u>43,710,425</u> |
| Total Liabilities | 12,385,985 | 12,599,450 | 35,669,263 | 35,600,241 | 48,055,248 | 48,199,691 |
| Deferred Inflows of Resources | 3,348,912 | 67,591 | 684,139 | 12,871 | 4,033,051 | 80,462 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 10,077,016 | 9,843,569 | 2,335,015 | 1,691,876 | 12,412,031 | 11,535,445 |
| Restricted | 1,366,140 | 1,368,720 | - | - | 1,366,140 | 1,368,720 |
| Unrestricted | <u>11,661,209</u> | <u>10,089,178</u> | <u>(684,139)</u> | <u>2,386,965</u> | <u>10,977,070</u> | <u>12,476,143</u> |
| Total Net Position | <u>23,104,365</u> | <u>21,301,467</u> | <u>1,650,876</u> | <u>4,078,841</u> | <u>24,755,241</u> | <u>25,380,308</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$38,839,262</u> | <u>\$33,968,508</u> | <u>\$38,004,278</u> | <u>\$39,691,953</u> | <u>\$76,843,540</u> | <u>\$73,660,461</u> |

The Commonwealth of Virginia requires that cities, as well as their financial dependent component units, be financed under a single taxing structure. This results in cities issuing debt to finance capital assets, such as infrastructure and governmental buildings. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as a long-term liability and an asset of the City. The net position of the total financial reporting entity best represents the entity's financial position. In the case of the City's reporting entity, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$52,088,299 at June 30, 2022. A large portion of the reporting entity's net position, \$12,412,031 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 \$11,017,070.

Statement of Activities

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

| | Governmental Activities | | Business Type Activities | | Total Primary Government | |
|--|-------------------------|---------------|--------------------------|--------------|--------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 1,058,073 | \$ 2,080,800 | \$ 4,154,857 | \$ 4,221,262 | \$ 5,212,930 | \$ 6,302,062 |
| Operating Grants and Contributions | 6,636,660 | 4,683,388 | - | - | 6,636,660 | 4,683,388 |
| General Revenues | | | | | | |
| General Property Taxes, Real and Personal | 5,802,604 | 4,903,726 | - | - | 5,802,604 | 4,903,726 |
| Other Taxes | 9,226,955 | 6,433,396 | - | - | 9,226,955 | 6,433,396 |
| Grants and Contributions Not Restricted to Specific Programs | 747,833 | 873,678 | - | - | 747,833 | 873,678 |
| Unrestricted Revenues from use of Money and Property | 167,034 | 175,224 | - | - | 167,034 | 175,224 |
| Investment Earnings | 5,945 | 81,757 | 25,768 | 18,969 | 31,713 | 100,726 |
| Miscellaneous | 219,167 | 204,851 | 61,652 | 5,686 | 280,819 | 210,537 |
| Total Revenues | 23,864,271 | 19,436,820 | 4,242,277 | 4,245,917 | 28,106,548 | 23,682,737 |
| Expenses | | | | | | |
| General Government Administration | 2,112,083 | 1,809,849 | - | - | 2,112,083 | 1,809,849 |
| Judicial Administration | 3,199,176 | 3,816,780 | - | - | 3,199,176 | 3,816,780 |
| Public Safety | 4,482,699 | 3,822,125 | - | - | 4,482,699 | 3,822,125 |
| Public Works | 2,786,014 | 3,876,814 | - | - | 2,786,014 | 3,876,814 |
| Health and Welfare | 532,232 | 506,838 | - | - | 532,232 | 506,838 |
| Education | 6,107,985 | 3,880,359 | - | - | 6,107,985 | 3,880,359 |
| Parks, Recreation and Cultural | 427,173 | 397,187 | - | - | 427,173 | 397,187 |
| Community Development | 2,310,465 | 1,211,142 | - | - | 2,310,465 | 1,211,142 |
| Water and Sewer | - | - | 3,136,463 | 3,261,038 | 3,136,463 | 3,261,038 |
| Interest on Long-term Debt | 103,546 | 147,165 | 1,138,088 | 1,079,813 | 1,241,634 | 1,226,978 |
| Total Expenses | 22,061,373 | 19,468,259 | 4,274,551 | 4,340,851 | 26,335,924 | 23,809,110 |
| Increase (Decrease) in Net Position Before Transfers and Appropriation | 1,802,898 | (31,439) | (32,274) | (94,934) | 1,770,624 | (126,373) |
| Change in Net Position | 1,802,898 | (51,404) | (32,274) | (74,969) | 1,770,624 | (126,373) |
| Beginning Net Position | 21,301,467 | 21,352,871 | 1,683,150 | 4,153,810 | 22,984,617 | 25,506,681 |
| Ending Net Position | \$ 23,104,365 | \$ 21,301,467 | \$ 1,650,876 | \$ 4,078,841 | \$ 24,755,241 | \$ 25,380,308 |

Governmental activities increased the City's net position by \$1,802,898 for the fiscal year 2022. Revenues from governmental activities totaled \$ 23,864,271. Other taxes comprise the largest source of these revenues, totaling \$9,226,955 or 39% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$ 22,061,373. Education was the City's largest program with expenses totaling \$ 6,107,985. Public Safety, which totals \$4,482,699, 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, 2022 and 2021

| | 2022 | | 2021 | |
|-----------------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| General Government Administration | \$ 2,112,083 | \$ (1,419,034) | \$ 1,809,849 | \$ (1,636,769) |
| Judicial Administration | 3,199,176 | (2,447,987) | 3,816,780 | (3,390,520) |
| Public Safety | 4,482,699 | (2,714,026) | 3,822,125 | (1,226,173) |
| Public Works | 2,786,014 | (1,756,831) | 3,876,814 | (1,612,416) |
| Health and Welfare | 1,070,210 | (533,478) | 506,838 | (506,838) |
| Education | 6,107,985 | (4,337,773) | 3,880,359 | (2,654,001) |
| Parks, Recreation, and Cultural | 427,173 | (431,786) | 397,187 | (392,687) |
| Community Development | 2,310,465 | (286,404) | 1,211,142 | (1,137,502) |
| Interest on Long-term Debt | 103,546 | (873,811) | 147,165 | (147,165) |
| Total | <u>\$22,599,351</u> | <u>\$(14,801,130)</u> | <u>\$19,468,259</u> | <u>\$ (12,704,071)</u> |

Financial Analysis of The City's Funds

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

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$12,307,524. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. The Unassigned fund balance represents 56.1% of total fund expenditures.

Budgetary Highlights

General Fund

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

Budgetary Comparison General Fund

For the Fiscal Years Ended June 30, 2022 and 2021

| | 2022 | | | 2021 | | |
|--|----------------------------|---------------------|---------------|----------------------------|---------------------|----------------|
| | Original Budget | Final Budget | Actual | Original Budget | Final Budget | Actual |
| Revenues | | | | | | |
| Taxes | \$12,275,190 | \$12,275,190 | \$14,717,688 | \$11,754,913 | \$11,754,915 | \$11,144,383 |
| Other | 3,423,767 | 3,400,714 | 2,472,611 | 2,528,367 | 2,534,992 | 2,853,152 |
| Intergovernmental | 5,394,276 | 8,504,979 | 6,455,767 | 6,188,235 | 7,171,389 | 5,485,427 |
| Total Revenues | 21,093,233 | 24,180,883 | 23,646,066 | 20,471,517 | 21,461,296 | 19,482,962 |
| Expenditures | 22,230,377 | 29,177,726 | 23,208,426 | 21,749,089 | 23,844,913 | 21,941,090 |
| Excess (Deficiency) of Revenues Over Expenditures | (1,137,144) | (4,996,843) | 437,640 | (1,277,572) | (2,383,617) | (2,458,128) |
| Other Financing Sources (Uses) | | | | | | |
| Fund Balance Appropriation | (20,000) | (20,000) | (20,000) | | | |
| Issuance of Debt | - | - | - | 653,000 | 1,000,000 | 1,240,000 |
| Capital Lease Proceeds | 79,800 | 76,184 | 298,015 | 119,803 | 653,000 | 653,000 |
| Transfers In | - | | | (250,000) | 119,803 | 58,333 |
| Transfers out | | | (204,799) | | (268,122) | (272,572) |
| Total Other Financing Sources (Uses) | 59,800 | 56,184 | 73,216 | 522,803 | 1,504,681 | 1,678,761 |
| Change in Fund Balance before Surplus | (1,097,344) | (4,940,659) | 510,856 | (754,769) | (878,936) | (779,367) |
| From Surplus | 1,097,344 | 4,940,659 | - | 754,769 | 878,936 | - |
| Change in Fund Balance | \$ - | \$ - | \$ 510,856 | \$ - | \$ - | - \$ (779,367) |

Final amended budget revenues were more than the original budget by \$3,087,650.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$6,947,349.

Actual revenues were less than final budget amounts by \$534,817 or 02.21%, while actual expenditures were \$5,969,300 or 20.45% less than final budget amounts.

The City budgeted grant income and expenditures which did not begin in FY22.

Capital Assets and Long-Term Debt

Capital Assets

As of June 30, 2022, the City's governmental activities net capital assets total \$15,226,375 which represents a net increase of \$215,317 or .01% over the previous fiscal year-end balance. The business-type activities net capital assets total \$31,274,155 an increase of \$3,394,909 or 12.17% over the previous fiscal year.

| | Change in Capital Assets Governmental Activities | | |
|---|---|--------------------------------|--------------------------|
| | Balance July 1, 2021 | Net Additions and Deletions | Balance June 30, 2022 |
| Land and Improvements | \$ 2,302,871 | - | \$ 2,302,871 |
| Buildings & Improvements | 8,458,051 | | 8,458,051 |
| Infrastructure | 20,285,999 | | 20,285,999 |
| Furniture, Equipment & Vehicles | 10,591,302 | 1,659,440 | 12,250,742 |
| Total Capital Assets | 41,638,223 | 1,659,440 | 43,297,663 |
| Less: Accumulated Depreciation and amortization | (26,627,165) | (1,444,123) | (28,071,288) |
| Total Capital Assets, Net | \$ 15,011,058 | 1,874,757 | \$ 15,226,375 |

| | Business-Type Activities | | |
|---|--------------------------|--------------------------------|--------------------------|
| | Balance July 1, 2021 | Net Additions and Deletions | Balance June 30, 2022 |
| Land and land Improvements | \$ 103,471 | \$ - | \$ 103,471 |
| Construction in Progress | 3,796,294 | 4,263,219 | 8,059,513 |
| added to Buildings and Systems | | (3,796,294) | (3,796,294) |
| Buildings and Systems | 35,780,724 | 3,796,294 | 39,577,018 |
| Furniture, equipment, and vehicles & ROU Assets | 1,528,871 | 102,400 | 1,631,271 |
| Total Capital Assets | 41,209,360 | 4,365,619 | 45,574,979 |
| Less: Accumulated Depreciation and amortization | (13,330,114) | (970,710) | (14,300,824) |
| Total Capital Assets, Net | \$ 27,879,246 | 3,394,909 | \$ 31,274,155 |

Long Term Debt

As of June 30, 2022, the City's long-term obligations total

| | Balance July 1, 2021 | Net Additions and Deletions | Balance June 30, 2022 |
|--------------------------------|-------------------------|--------------------------------|--------------------------|
| Governmental Activities | | | |
| Long Term Debt | \$ 5,167,489 | \$ (19,767) | \$ 5,147,722 |
| Compensated Absences | 454,678 | (14,272) | 440,406 |
| Total Governmental Activities | 5,622,167 | (34,039) | 5,588,128 |
| Business Type Activities | | | |
| Long-term Debt & Bond Premium | 33,437,264 | (684,233) | 32,753,031 |
| Compensated Absences | 164,465 | (4,623) | 159,842 |
| Total business Type Activities | 33,601,729 | (688,856) | 32,912,873 |
| Total Primary Government | \$ 39,223,896 | \$ (722,895) | \$ 38,501,001 |

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

Economic Factors and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when setting the fiscal-year 2023 budget.

The average unemployment rate for the City of Emporia, Virginia in June 2022 was 8.2%. This compares unfavorably to the state's rate of 2.8% and the national rate of 3.6%.

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

These rates along with other indicators were taken into account when adopting the General Fund budget for 2023, which accounts for most of the City's operational costs. The fiscal year 2023 adopted budget anticipates general fund revenues and expenditures to be \$30,112,983, a 19.1% increase over the fiscal year 2022 original budget.

Requests For Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the Finance Director, City of Emporia, Virginia, 201 South Main Street, Emporia, Virginia 23847, telephone 434-634-3332, or visit the City's website at www.ci.emporia.va.us.

II. BASIC FINANCIAL STATEMENTS



City of Emporia, Virginia
Statement of Net Position
As of June 30, 2022 and 2021

| | Governmental Activities | Business-Type Activities | Total |
|--|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 12,977,466 | 1,936,328 | \$ 14,913,794 |
| Receivables, net | 608,529 | 569,067 | 1,177,596 |
| Due from other funds | 1,165,217 | - | 1,165,217 |
| Due from other governments | 4,927,006 | - | 4,927,006 |
| Cash and cash equivalents, restricted | - | 3,789,356 | 3,789,356 |
| Other assets | 1,648,959 | | 1,648,959 |
| Total Current Assets | 21,327,177 | 6,294,751 | 27,621,928 |
| Noncurrent Assets | | | |
| Capital assets | | | |
| Land and construction progress | 2,302,871 | 8,133,488 | 10,436,359 |
| Right of use assets | | 84,678 | 84,678 |
| Other capital assets, net of accumulated depreciation | 12,923,503 | 23,055,988 | 35,979,491 |
| Capital assets, net | 15,226,374 | 31,274,154 | 46,500,528 |
| Other Assets | | | |
| Pension asset | 906,421 | 172,652 | 1,079,073 |
| Total Pension Asset | 906,421 | 172,652 | 1,079,073 |
| Deferred Outflows of Resources | | | |
| Pension | 1,228,893 | 234,075 | 1,462,968 |
| OPEB | 150,397 | 28,646 | 179,043 |
| Total Deferred Outflows of Resources | 1,379,290 | 262,721 | 1,642,011 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 38,839,262</u> | <u>38,004,278</u> | <u>\$ 76,843,540</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable and accrued expenses | 552,577 | 332,825 | 885,402 |
| Short term overdrafts | - | 463,727 | 463,727 |
| Due to other governments | 46,262 | - | 46,262 |
| Accrued interest payable | 275,669 | 486,029 | 761,698 |
| Compensated absences-current portion | 44,040 | 16,044 | 60,084 |
| Unearned grant | 5,232,351 | | 5,232,351 |
| Customer deposits | - | 217,697 | 217,697 |
| Deferred taxes | 274,502 | | 274,502 |
| Notes payable capital leases -Current portion | 173,599 | 128,054 | 301,653 |
| Bonds & loans due within one year | 603,218 | 892,220 | 1,495,438 |
| Total Current Liabilities | 7,202,218 | 2,536,596 | 9,738,814 |
| Noncurrent Liabilities | | | |
| Compensated absences | 396,366 | 144,401 | 540,767 |
| Bonds, loans and capital leases payable- <i>Due in more than one year</i> | - | - | - |
| Bonds, loans and capital leases payable Due to General Fund | 4,170,054 | 31,751,713 | 35,921,767 |
| | | 1,165,217 | 1,165,217 |
| Net OPEB liability | 617,347 | 71,336 | 688,683 |
| Net pension liability | - | - | - |
| Total Noncurrent Liabilities | 5,183,767 | 33,132,667 | 38,316,434 |
| Total Liabilities | | | |
| Deferred Inflows of Resources | | | |
| Pension | 3,129,104 | 596,020 | 3,725,124 |
| OPEB | 219,808 | 88,119 | 307,927 |
| Total Deferred inflows of Resources | 3,348,912 | 684,139 | 4,033,051 |
| Net Position | | | |
| Net Investment in capital assets | 10,077,016 | 2,335,015 | 12,412,031 |
| Restricted for | | | |
| Citizens Bank Building Investment | 1,366,140 | - | 1,366,140 |
| Unrestricted | 11,661,209 | (684,139) | 10,977,070 |
| Total Net Position | 23,104,365 | 1,650,876 | 24,755,241 |
| Total Liabilities, Deferred inflows of Resources and Net Position | <u>\$ 38,839,262</u> | <u>38,004,278</u> | <u>\$ 76,843,540</u> |

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

City of Emporia, Virginia
Statement of Activities
For the Fiscal Years Ended June 30, 2022 and 2021

| Functional 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 | \$ 2,112,083 | | \$ 693,049 | \$ - | \$ (1,419,034) | | \$ (1,419,034) |
| Judicial Administration | (2,447,987) | | | - | (2,447,987) | | (2,447,987) |
| Public Safety | 4,482,699 | 809,781 | 658,892 | - | (2,714,026) | | (2,714,026) |
| Public Works | 2,786,014 | 1,058,073 | 1,727,941 | - | (1,756,831) | | (1,756,831) |
| Health and Welfare | 1,070,210 | | 536,732 | - | (533,478) | | (533,478) |
| Education | 6,107,985 | | 754,211 | - | (5,353,774) | | (5,353,774) |
| Parks, Recreation, and Cultural | 427,173 | | (4,613) | - | (431,786) | | (431,786) |
| Community Development | 2,310,465 | | 2,024,061 | - | (286,404) | | (286,404) |
| Interest and Lease Costs | 103,546 | | - | - | (103,546) | | (103,546) |
| Total Governmental Activities | 16,952,188 | 1,867,854 | 6,390,273 | - | (15,046,866) | | (15,046,866) |
| Business -Type Activities | | | | | | | |
| Water and Sewer Fund | 4,274,551 | 4,154,857 | | - | | \$ (119,694) | \$ (119,694) |
| Total Business-Type Activities | 4,274,551 | 4,154,857 | | - | | (119,694) | (119,694) |
| Total Primary Government | <u>\$ 21,226,739</u> | <u>\$ 6,022,711</u> | <u>\$ 6,390,273</u> | <u>\$ -</u> | | (119,694) | (15,166,560) |
| General Revenues | | | | | | | |
| Taxes | | | | | | | |
| General Property Taxes, Real and Personal | | | | | 5,508,298 | - | 5,508,298 |
| Other Local Taxes | | | | | 9,189,585 | - | 9,189,585 |
| Grants and Contributions not Restricted to Specific Programs | | | | | 600,058 | 33,204 | 600,058 |
| COVID Recovery Funds | | | | | 1,314,213 | | 1,314,213 |
| Use of Property | | | | | 167,034 | - | 167,034 |
| Investment Earnings | | | | | 5,945 | 25,768 | 31,713 |
| Miscellaneous | | | | | 64,631 | 28,448 | 93,079 |
| Transfers & Adjustments | | | | | - | (2,427,965) | (2,427,965) |
| Total General Revenues and Transfers | | | | | <u>16,849,764</u> | <u>(2,340,545)</u> | <u>14,476,015</u> |
| Change in Net Position | | | | | 1,802,898 | (32,274) | 1,770,624 |
| Net Position -Beginning of Year | | | | | <u>21,301,467</u> | <u>4,078,871</u> | <u>25,380,308</u> |
| Net Position End of Year | | | | | <u>\$ 23,104,365</u> | <u>\$ 1,650,876</u> | <u>\$ 24,755,241</u> |

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

City of Emporia, Virginia
Balance Sheet
Governmental Funds
For the Fiscal Years Ended June 30, 2022 and 2021

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:

| | General Fund | Emporia Redevelopment and Housing Authority Fund | Emporia Industrial Development Authority | Total Governmental Funds |
|--|-------------------------|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 12,712,256 | \$ 55,691 | \$ 209,500 | \$ 12,977,447 |
| Property taxes receivable, net | 274,502 | - | - | 274,502 |
| Accounts Receivable | 313,486 | 140 | - | 313,626 |
| Right of use leased assets | 298,015 | - | - | 298,015 |
| Due from (to) utility fund | 1,165,217 | - | - | 1,165,217 |
| Due from (to) other governments | 4,804,068 | - | 122,938 | 4,927,006 |
| Other assets-prepaid expenses | 40,634 | 1,310,309 | - | 1,350,943 |
| Total Assets | <u>\$ 19,608,178</u> | <u>\$ 1,366,140</u> | <u>\$ 332,438</u> | <u>\$ 21,306,756</u> |
| Liabilities | | | | |
| Right of use lease obligations | \$ 298,015 | \$ - | \$ - | \$ 298,015 |
| Accounts payable & clearing | 385,187 | - | 167,607 | 552,794 |
| Accrued liabilities | 275,669 | - | - | 275,669 |
| Unearned grants | 5,232,351 | - | - | 5,232,351 |
| Due to utility fund | - | - | - | - |
| Due to other funds | 122,940 | - | - | 122,940 |
| Total Liabilities | <u>\$ 6,314,162</u> | <u>\$ -</u> | <u>\$ 167,607</u> | <u>\$ 6,481,769</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue-deferred Taxes | 274,502 | - | - | 274,502 |
| Total deferred inflows of resources | <u>\$ 274,502</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 274,502</u> |
| Fund Balance | | | | |
| Restricted for | | | | |
| Citizens Bank building investment | \$ - | \$ 1,366,140 | \$ - | \$ 1,366,140 |
| Assigned | 96,438 | - | 164,831 | 261,269 |
| Unassigned | 129,230 | - | - | 129,230 |
| Total Fund Balance | <u>\$ 13,019,514</u> | <u>\$ 1,366,140</u> | <u>\$ 164,831</u> | <u>\$ 14,550,485</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 19,608,178</u> | <u>\$ 1,366,140</u> | <u>332,438</u> | <u>\$ 21,306,756</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, 2022

| | | |
|--|--|---------------|
| Total Fund Balances for Governmental Funds | | \$ 14,550,485 |
|--|--|---------------|

Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

| | | |
|---|------------------|------------|
| Land | 2,302,871 | |
| Buildings and improvements, net of accumulated depreciation | 4,079,964 | |
| Furniture, equipment, and vehicles, net of accumulated depreciation | 3,256,037 | |
| Infrastructure, net of accumulated depreciation | <u>5,587,503</u> | |
| Total Capital Assets | - | 15,226,374 |

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

| | | |
|-------------------------------------|----------------|---------|
| Unavailable Asset Pension | | |
| Unavailable revenue -property taxes | <u>274,502</u> | |
| Total Unavailable Assets | | 274,502 |

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

| | | |
|---|------------------|--------------|
| Deferred outflows of resources related to pension | 1,228,893 | |
| Deferred inflows of resources related to pension | (3,129,104) | |
| Deferred outflows of resources related to OPEB | 239,914 | |
| Deferred inflows of resources related to OPEB | <u>(219,808)</u> | |
| Total Deferred Outflows and Inflows of Resources | | (1,880,105) |

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 | (3,733,469) | |
| Pension Liability | - | |
| Accrued interest Payable | (275,669) | |
| OPEB liability | (617,347) | |
| Compensated absences | <u>(440,406)</u> | |
| Total | | <u>(5,066,891)</u> |

| | | |
|--|--|-----------------------------|
| Total Net Position Governmental Activities | | <u><u>\$ 23,104,365</u></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
For the Fiscal Year Ended June 30, 2022 and 2021

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

| | General Fund | Emporia Redevelopment and Housing Authority Fund | Emporia Industrial Development Authority | Total Governmental Funds |
|--|-----------------|---|---|--------------------------------|
| Revenues | | | | |
| Property Taxes | \$ 5,508,299 | \$ - | \$ 19,804 | \$ 5,528,103 |
| Other Local Taxes | 9,189,585 | - | | 9,189,585 |
| Permits, privilege fees, and regulatory Licenses | 24,056 | - | | 24,056 |
| Fines and Forfeitures | 785,726 | - | | 785,726 |
| Use of money and property | 5,945 | 13 | 161,076 | 167,034 |
| Charges for services | 1,058,073 | | | 1,058,073 |
| Public Works-Fire & Rescue | | | | - |
| Electronic Summons Revenue | 19,863 | | | 19,863 |
| Miscellaneous | 180,672 | - | | 180,672 |
| Community Development | | - | | - |
| Recovered Costs | 237,189 | | | 237,189 |
| <i>Intergovernmental</i> | | | | - |
| Revenue from the Commonwealth of Virginia | 4,781,249 | | | 4,781,249 |
| Revenue from the Federal Government | 1,855,410 | | | 1,855,410 |
| | | | | - |
| Total Revenues | 23,646,066 | 13 | 180,880 | 23,826,959 |
| Expenditures | | | | |
| General government administration | 1,967,489 | - | - | 1,967,489 |
| Judicial Administration | 3,233,712 | - | - | 3,233,712 |
| Public safety | 4,599,902 | - | - | 4,599,902 |
| Public Works | 3,027,547 | - | - | 3,027,547 |
| Health & Welfare | 537,978 | - | - | 537,978 |
| Education | 6,173,923 | - | - | 6,173,923 |
| Parks, recreation, and cultural | 431,786 | - | - | 431,786 |
| Community development | 2,325,117 | 27,588 | - | 2,352,705 |
| Business Incubation Grants | | - | 56,715 | 56,715 |
| Electronic Summons Expenditures | 37,161 | - | - | 37,161 |
| Debt Service/Including Lease Obligation Payments | 873,811 | - | - | 873,811 |
| Property Tax Abatement Incentive | | - | 179,799 | 179,799 |
| Total Expenditures | 23,208,426 | 27,588 | 236,514 | 23,472,528 |
| Excess (Deficiency) of Revenues Over Expenditures | 437,640 | (27,575) | (55,634) | 354,431 |
| Other Financing Sources (Uses) | | - | | |
| Fund Balance Appropriation | (20,000) | - | - | (20,000) |
| Transfers in | | 25,000 | 179,799 | 204,799 |
| Transfers Out | (204,799) | | | (204,799) |
| Capital Lease proceeds | 298,015 | - | - | 298,015 |
| Issuance of Debt | - | - | - | - |
| Total Other Financing Sources (Uses) | 73,216 | 25,000 | 179,799 | 278,015 |
| Net Change in Fund Balance | 510,856 | (2,575) | 124,165 | 632,446 |
| Fund Balance-Beginning of Year | 12,508,658 | 1,368,720 | 40,666 | 13,918,039 |
| Fund Balance-End of Year | \$ 13,019,514 | \$ 1,366,145 | \$ 164,831 | \$ 14,550,485 |

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
Year Ended June 30, 2022

Net Change in Fund Balances- Total Governmental Funds \$ 632,446

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

| | | |
|----------------|-------------|---------|
| Capital Assets | 1,659,440 | |
| Depreciation | (1,444,123) | |
| Net Adjustment | | 215,317 |

| | | |
|---|--|---------|
| 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 | | 274,502 |
|---|--|---------|

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

| | | |
|------------------------|-----------|---------|
| Debt Issuance Proceeds | (415,487) | |
| Repayments on debt | 895,268 | |
| Net Adjustment | | 479,781 |

| | | |
|---|--|---------|
| 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 liabilities, deferred outflows and inflows | | 402,263 |
|---|--|---------|

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 | 14,272 | |
| Net OPEB liability, deferred outflows and inflows | (215,683) | |
| Net Adjustment | | (201,411) |

| | | |
|---|--|--------------|
| Change in Net Position of Governmental Activities | | \$ 1,802,898 |
|---|--|--------------|

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, 2022

| | Business-Type Activities <u>Enterprise Fund</u> Water and Sewer <u>Fund</u> |
|---|---|
| Assets | |
| Current Assets | |
| Cash and cash equivalents | \$ 1,936,328 |
| Receivables, Net | 569,067 |
| Cash and cash equivalents, restricted | 3,789,356 |
| Total Current Assets | <u>6,294,751</u> |
| Noncurrent Assets | |
| Right of Use Assets under Lease, Net | 84,678 |
| Land and construction in progress | 8,133,488 |
| Capital Assets, Net | 23,055,988 |
| Pension Asset | 172,652 |
| Total Noncurrent Assets | <u>31,446,806</u> |
| Deferred Outflows of Resources | |
| Pension | 234,075 |
| OPEB | 28,646 |
| Total Deferred Outflows of Resources | <u>262,721</u> |
| Total Assets and Deferred Outflows of Resources | <u><u>\$ 38,004,278</u></u> |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable, S.T.Overdrafts and Accrued Liabilities | \$ 332,825 |
| Sweep Account Short term overdrafts | 463,727 |
| Accrued Interest Payable | 486,029 |
| Customer Deposits | 217,697 |
| Compensated absences-current portion | 16,044 |
| Notes Payable Capital Leases | 128,054 |
| Bonds, Loans and capital leases payable due within one year | 892,220 |
| Total Current Liabilities | <u>2,536,596</u> |

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

City of Emporia, Virginia
Statement of Net Position
Proprietary Funds
At June 30, 2022

| | |
|--|-----------------------------|
| Noncurrent Liabilities | |
| Compensated Absences, Net | 144,401 |
| Net Pension liability | - |
| Net OPED liability | 71,336 |
| Due to General Fund | 1,165,217 |
| Bonds, loans, and capital lease payable, net | 31,751,713 |
| Total Noncurrent Liabilities | <u>33,132,667</u> |
| Total Liabilities | 35,669,263 |
| Deferred Inflows of Resources | |
| Pension | 596,020 |
| OPED | 88,119 |
| Total Deferred Inflows of Resources | <u>684,139</u> |
| Net Position | |
| Net Investment in capital assets | 2,335,015 |
| Unrestricted | (684,139) |
| Total Net Position | <u>1,650,876</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u><u>\$ 38,004,278</u></u> |

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

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

| | |
|--|------------|
| Noncurrent Liabilities | |
| Compensated Absences, Net | 144,401 |
| Net Pension liability | - |
| Net OPED liability | 71,336 |
| Due to General Fund | 1,165,217 |
| Bonds, loans, and capital lease payable, net | 31,751,713 |
| Total Noncurrent Liabilities | 33,132,667 |
| Total Liabilities | 35,669,263 |
| Deferred Inflows of Resources | |
| Pension | 596,020 |
| OPED | 88,119 |
| Total Deferred Inflows of Resources | 684,139 |
| Net Position | |
| Net Investment in capital assets | 2,335,015 |
| Unrestricted | (684,139) |
| Total Net Position | 1,650,876 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | 38,004,278 |

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, 2022

| | Business-Type Activities <u>Enterprise Fund</u> Water and Sewer Fund |
|--|---|
| Operating Revenues | |
| Charges for services, net | \$ 4,154,857 |
| Grant revenue earned | 33,204 |
| Miscellaneous | 28,448 |
| Total Operating Revenues | <u>4,216,509</u> |
| Operating Expenses | |
| Personel services and benefits | 1,097,076 |
| Maintenance, supplies, and vehicle | 677,858 |
| Professional Services | 250,880 |
| Chemicals | 139,939 |
| Depreciation | 970,710 |
| Other charges | |
| Total Operating Expenses | <u>3,136,463</u> |
| Operating Income | 1,080,046 |
| Nonoperating Revenue (Expenses) | |
| Interest Income | 25,768 |
| Interest Expense and Issuance costs | <u>(1,138,088)</u> |
| Total Nonoperating Revenues (Expenses) before Transfers | <u>(1,112,320)</u> |
| Income (Loss) Before Transfers | (32,274) |
| Transfers in (Out) | <u>-</u> |
| Change in Net Position | (32,274) |
| Total Net Position -Beginning of Year | <u>1,683,150</u> |
| Total Net Position-End of Year | <u><u>\$ 1,650,876</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, 2022

| | Business-Type Activities- <u>Enterprise Fund</u> Water and Sewer Fund |
|---|--|
| Cash Flows from Operating Activities | |
| Receipts from Customers | \$ 3,936,292 |
| Federal Grant -CARES Act Utility Funding | - |
| Other Receipts | 218,564 |
| Payments to Personnel and Benefits | (1,097,077) |
| Payments to suppliers | (926,903) |
| Net Cash Provided by Operating Activities | <u>2,130,876</u> |
| Cash Flows from Noncapital Financing Activities | |
| Due to General Fund and transfers to General Fund | 1,165,217 |
| Net Cash Provided in Noncapital Financing Activities | <u>1,165,217</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Purchases and construction of capital assets | (4,347,898) |
| Payment on Purchase of capital assets | (1,981,524) |
| Conversion of Operating leases to Capital /financing leases ROU Obligations | (92,735) |
| Principal Paid on capital debt | (749,515) |
| Interest Paid on capital debt | (1,050,456) |
| | <u>(8,222,128)</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | |
| Cash Flows from Investing Activities | |
| Interest Income | <u>25,768</u> |
| Net Cash Provided by Investing Activities | <u>25,768</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>(4,900,267)</u> |
| Cash and Cash Equivalents-Beginning of Year | <u>10,625,951</u> |
| Cash and Cash Equivalents-End of Year | <u><u>\$ 5,725,684</u></u> |

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

Enterprise Fund
Water and Sewer
Fund

| | |
|--|---------------------|
| Reconciliation of Operating Income to Net | |
| Cash provided by Operating Activities | |
| Operating Income | 1,080,046 |
| Adjustments to Reconcile Operating Income to Net | |
| Cash provided by Operating Activities | |
| Depreciation | 970,710 |
| <i>Changes in assets and liabilities</i> | |
| Receivables, net | 288,807 |
| Pension Asset | (172,652) |
| Deferred Outflows Pension, GLI & Milliman | 66,161 |
| Accounts Payable and accrued expenses | 506,575 |
| Accrued Interest Payable | 360,968 |
| Bank S.T. Overdrafts | 591,719 |
| Notes Payable Capital Lease | 128,053 |
| Compensated absences | (4,020) |
| Customer deposits | 1,966 |
| Unearned grant | (33,204) |
| Deferred Inflows Pension | 588,124 |
| Deferred Inflows GLI | 83,796 |
| Deferred Inflows Miliman | (652) |
| Pension Liability & GLI | (678,427) |
| Deferred Outflows-OPEB | (18,544) |
| Net Position Adjustment | (1,628,550) |
| | <hr/> |
| Net Cash Provided by Operating Activities | <u>\$ 2,130,876</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, 2022

1 Summary of Significant Accounting Policies and Use of Estimates

Narrative Profile

The City of Emporia, Virginia (the “City”) has a population of approximately 5,630 living within its corporate limits. The City is located in the Southside area in Southeastern Virginia. The City is governed by an appointed City Manager and a seven-member City Council with each serving administrative and legislative functions.

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

The financial statements of the City have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts 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 \$5,209,200 and final expenditures after adjustments were \$6,173,923 during fiscal year 2022.

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 \$309,032 during fiscal year 2022 to the Department and final adjusted expenditures for the year were \$249,939.

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 \$1,060,976 during fiscal year 2022 to the Authority for services rendered and final expenditures for the year were \$1,056,492.

1-B. Financial Reporting Model

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

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

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental

activities, generally supported by taxes and grants and the City's general revenues, from business -type activities, generally financed in whole or in part with fees charged to external customers. The fiduciary funds of the primary government are not included in the government-wide financial statements.

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

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

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

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

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

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

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

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen

interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons.

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

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

1-C. Financial Statement Presentation

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

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

fund, the Water and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that the cost of providing services to the general public be financed or recovered through user charges.

- ***Fiduciary Funds (Trust and Custodial Funds)*** – Fiduciary funds account for assets held by the City in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Custodial funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. Custodial Funds consist of the following:
 - a. Private Purpose Trust Funds – The City has no Private Purpose Trust Funds at this time.
 - b. Custodial Funds – The City has no Custodial Funds at this time.

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

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

1-E-2 Investments

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

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

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City

calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounts were as follows at June 30.

| | |
|---|-------------------|
| General Fund - taxes receivable | <u>\$ 274,502</u> |
| Water and Sewer Fund - accounts receivables | <u>\$ 570,084</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 10% per annum is also levied on real property taxes not collected on or before their due date. An interest charge of 10% per annum is also levied on personal property taxes not collected on or before August 1.

1-E-4 *Prepaid Items*

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

1-E-5 *Capital Assets*

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activity 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:

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

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

1-E-6 Deferred Outflows/Inflows of Resources

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

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

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

1-E-7 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. All compensated absence liabilities include salary-related payments, where applicable.

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

1-E-8 Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision’s Retirement Plan and the additions to/deductions from the Political Subdivision’s Retirement Plan’s net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with

the benefit terms. Investments are reported at fair value.

1-E-9 Group Life Insurance Program

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

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

1-E-10 Other Postemployment Benefits Plans

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

1-E-11 Fund Equity

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

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

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

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

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

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

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

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-12 Operating Revenues and Expenses

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

1-E-13 Interfund Activity

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

1-E-14 Long-Term Obligations

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

1-E-15 Adoption of New GASB Statements

The City adopted the following GASB statements during the year ended June 30, 2022:

GASB Statement No.87, *Leases*, This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement apply to financial statements of all state and local governments. The new standards require that a contract that transfers ownership of the underlying asset to the lessee by the end of the contract, and does not contain a termination option should be reported as a financed purchase of the underlying asset by the lessee. At the commencement of the lease term, a lessee should recognize a lease liability and an intangible right-to-use lease asset.

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

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

1. Prior to May 1, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget include 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, 2022

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

Fund Deficits

No funds had fund deficits.

3 Deposits and Investments

Deposits

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

Investments

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

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

The following is a summary of cash and cash equivalents:

| <u>Asset Type</u> | <u>Balance June 30, 2022</u> | | |
|---------------------------------|----------------------------------|--|--|
| Petty cash | \$1,100 | | |
| Deposit accounts | 18,702,030 | | |
| Total Cash and Cash Equivalents | <u>\$18,703,130</u> | | |

| | <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
|------------------------------|------------------------------------|---|---------------------|
| Cash and cash equivalents | <u>\$12,977,446</u> | <u>\$5,725,684</u> | <u>\$18,703,130</u> |

4 Receivables

Receivables at June 30, 2022 consist of the following:

| | Governmental Activities | Business Type Activities |
|------------------------------|----------------------------|--------------------------------|
| Property taxes | \$ 365,655 | \$ - |
| Meals and lodging taxes | 317,024 | - |
| Other | 140 | - |
| Water and sewer | - | 891,554 |
| Total | 682,819 | 891,554 |
| Allowance for uncollectibles | (74,290) | (322,487) |
| Net Receivables | <u>\$ 608,529</u> | <u>\$ 569,067</u> |

5 Interfund Transfers

Interfund transfers as of June 30, 2022, are as follows:

| | Transfer to | Transfer from |
|--|-------------------|-------------------|
| Primary Government | | |
| General Fund | | |
| To Redevelopment and Housing Fund for operations | \$ 25,000 | \$ - |
| To Industrial Development Fund for tax incentive and grant | 179,799 | - |
| | - | |
| Total General Fund | 204,799 | - |
| Redevelopment and Housing Fund | | |
| From General Fund for operations | - | 25,000 |
| Industrial Development Authority | | |
| From General Fund for tax incentive and grant | - | 179,799 |
| To General Fund for rent | | - |
| Total Governmental Funds | 204,799 | 204,799 |
| Total Transfers Within Primary Governmental | <u>\$ 204,799</u> | <u>\$ 204,799</u> |

6 *Due from Other Governmental Units*

Details of the City's receivables from other governmental units, as of June 30, 2022, are as follows:

County of Greenville, Virginia

| | |
|--------------------------------------|------------------|
| School Board - Education | \$ 1,003,962 |
| Total County of Greenville, Virginia | <u>1,003,962</u> |

Commonwealth of Virginia

| | |
|--|--------------|
| Personal Property Tax Relief Act (PPTRA) | 145,728 |
| Local Sales Tax | 91,600 |
| Communication Sales and Use Taxes | 15,572 |
| Education State Sales Tax | 238,922 |
| Constitutional Officers | 625,739 |
| Wireless 911 Grant | <u>9,264</u> |

| | |
|--------------------------------|------------------|
| Total Commonwealth of Virginia | <u>1,126,825</u> |
|--------------------------------|------------------|

7 *Due to Other Governmental Units*

Details of the City's payables to other governmental units, as of June 30, 2022, are as follows:

| | |
|--|------------------|
| | General |
| Social Services Operations - Greenville County, Virginia | <u>\$ 32,820</u> |

8 Capital Assets

The following is a summary of changes in capital assets:

| | Balance July 1, 2021 | Increases | Decreases | Balance July 1, 2022 |
|--|-------------------------|--------------|-----------|-------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 2,302,871 | \$ - | \$ - | \$ 2,302,871 |
| Construction In Progress | 3,796,294 | 4,233,723 | - | 8,030,017 |
| Total Capital Assets Not Being Depreciated | 6,099,165 | 4,233,723 | - | 10,332,888 |
| Other Capital Assets | | | | |
| Buildings and Systems | 35,780,724 | - | - | 35,780,724 |
| Furniture, Equipment, and Vehicles | 1,528,871 | 29,613 | - | 1,558,484 |
| Total Other Capital Assets | 37,309,595 | 29,613 | - | 37,339,208 |
| Less: Accumulated Depreciation for | | | | |
| Buildings and Systems | 11,958,039 | 919,383 | - | 12,877,422 |
| Furniture, Equipment, and Vehicles | 1,372,075 | 33,606 | - | 1,405,681 |
| Total Accumulated Depreciation | 13,330,114 | 952,989 | - | 14,283,103 |
| Other Capital Assets, Net | 23,979,481 | (923,377) | - | 23,056,104 |
| Net Capital Assets | \$ 30,078,646 | \$ 3,310,346 | \$ - | \$ 33,388,992 |
| Depreciation Expense was Allocated to | | | | |
| General Government Administration | \$ 330,153 | | | |
| Public Safety | 342,424 | | | |
| Public Works | 586,471 | | | |
| Health and Welfare | 1,511 | | | |
| Community Development | 35,495 | | | |
| Total | \$ 1,296,054 | | | |
| Business-Type Activities | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 103,471 | \$ - | \$ - | \$ 103,471 |
| Construction in Progress | 3,796,294 | 4,233,723 | - | 8,030,017 |
| Total Capital Assets Not Being Depreciated | 3,899,765 | 4,233,723 | - | 8,133,488 |
| Other Capital Assets | | | | |
| Buildings and Systems | 35,780,724 | - | - | 35,780,724 |
| Furniture, Equipment, and Vehicles | 1,528,871 | 29,613 | - | 1,558,484 |
| Total Other Capital Assets | 37,309,595 | 29,613 | - | 37,339,208 |
| Less: Accumulated Depreciation for | | | | |
| Buildings and Systems | 11,958,039 | 919,383 | - | 12,877,422 |
| Furniture, Equipment, and Vehicles | 1,372,075 | 33,606 | - | 1,405,681 |
| Total Accumulated Depreciation | 13,330,114 | 952,989 | - | 14,283,103 |
| Other Capital Assets, Net | 23,979,481 | (923,377) | - | 23,056,104 |
| Net Capital Assets | 27,879,246 | \$ 3,310,346 | \$ - | \$ 31,189,592 |

9 *Compensated Absences*

In accordance with National Council on Governmental Accounting Standards 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:

| Years of Services | Hours Accrued Per Month |
|--------------------------|------------------------------------|
| 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:

| Years of Services | Maximum Payment |
|--------------------------|----------------------------|
| 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 | 68 days |

The City has outstanding compensated absences totaling \$440,406 in the governmental activities. The balance in the business -type activities is \$160,445.

10 *Long-Term Debt*

PRIMARY GOVERNMENT

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

| | Governmental Activities | | Business Type Activities | |
|---------------------|-------------------------|-------------------|--------------------------|---------------------|
| Year Ended June 30, | Principal | Interest | Principal | Interest |
| 2023 | \$ 488,758 | \$ 96,400 | \$ 6,963,974 | \$ 652,295 |
| 2024 | 483,280 | 90,634 | 1,061,617 | 621,128 |
| 2025 | 444,827 | 84,666 | 929,869 | 585,475 |
| 2026 | 449,202 | 78,419 | 1,146,792 | 545,230 |
| 2027 | 424,011 | 86,485 | 1,187,245 | 504,613 |
| 2028-2032 | 1,689,487 | 298,976 | 6,674,250 | 463,684 |
| 2033-2037 | 1,168,157 | 56,460 | 5,916,113 | 910,166 |
| 2038-2042 | - | - | 5,469,140 | 502,598 |
| 2043-2047 | - | - | 1,649,428 | 201,743 |
| 2048-2052 | - | - | 442,569 | 23,218 |
| Total | <u>\$ 5,147,722</u> | <u>\$ 792,040</u> | <u>\$ 31,440,997</u> | <u>\$ 5,010,150</u> |

Changes in Long-Term Debt

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

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

| Primary Government Governmental Activities | Balance July 1, 2021 | Increase | Decrease | Balance June 30, 2022 | Due Within One Year |
|---|-------------------------|----------|----------|--------------------------|------------------------|
| BB&T lease for EMS dated September 15, 2016, with payments of \$1,292 at 1.67% commencing October 15, 2016 and ending September 15, 2021. | \$ 5,150 | \$ - | \$ 5,150 | \$ - | \$ - |
| General Obligation Refunding Bond, Series 2006 with Carter Bank and Trust, principal amount of \$7,560,000, issued June 15, 2006, with interest at 1.21%, subject to be reset in future years, interest due and payable in semi-annual installments on May 1 and November 1, commencing November 1, 2006. Principal shall be due and payable in annual installments on May 1 of each year, commencing May 1, 2007, through and including the maturity date of May 1, 2036. (General Fund Portion) | 1,533,373 | - | 76,578 | 1,456,795 | 79,641 |
| 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%. | 22,138 | - | 22,138 | - | - |
| Lease with BB&T dated November 17, 2015, for the re-chassis of a firetruck. Payments of \$1,926.38 of principal and interest at 2.17%. Interest payments are made over 84 months, due monthly on the 17th. | 32,222 | - | 22,643 | 9,579 | 9,579 |
| Lease with Carter Bank & Trust dated January 30, 2018, payable over 7 years at 2.5% interest. | 18,294 | - | 5,370 | 12,924 | 5,073 |
| 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%. | 29,570 | - | 17,204 | 12,366 | 12,366 |
| Lease with BB&T for \$154,000 dated September 6, 2016, for police vehicles with payments of \$4,480.06 at 2.98% over 3 years. | 13,373 | - | 13,373 | - | - |
| Lease with Bci Capital, Inc. for \$468,000 payable over 7 years. Monthly payments of \$5,926 at 1.77% interest. | 425,730 | - | 69,483 | 356,247 | 70,723 |
| Lease with Bci Capital Inc. for \$185,000 payable over 5 years. Monthly payments of \$3,223 at 1.77% interest. | 161,210 | - | 36,126 | 125,084 | 36,771 |
| Lease/note payable with Bci Capital for \$137,200 payable over 36 months. Monthly payments of \$3,867.49 at 1.01% interest. | - | 137,200 | 30,321 | 106,879 | 45,994 |
| Lease/note payable with Bci Capital for \$277,752 payable over 60 months. Monthly payments of \$4,770.49 at 1.23% interest. | - | 277,752 | 36,302 | 241,450 | 55,129 |
| Lease with BB&T for \$64,418 dated September 6, 2018, for a tractor/mower with payments of \$860.49 at 3.32% over 6 years. | 40,877 | - | 9,132 | 31,745 | 8,641 |
| Note payable with Benchmark Community Bank for police vehicles dated October 30, 2019, with payments of \$5,601 at 1.8% over 3 years. | 93,949 | - | 70,499 | 23,450 | 22,315 |

| Primary Government Governmental Activities | Balance July 1, 2021 | Increase | Decrease | Balance June 30, 2022 | Due Within One Year |
|--|---------------------------------|-----------------|-----------------|----------------------------------|--------------------------------|
| General Obligation Bond Series 2020B with Zion Bank dated December 2020; interest rates vary from .65% to 2.25% payable semi-annually on August 1 and February 1; principal payments begin on August 1, 2021, and matures in 20 years in August 2032. | 1,240,000 | - | 20,000 | 1,220,000 | 105,000 |
| Note payable with Benchmark Community Bank for police vehicles dated October 30, 2019, with payments of \$4,266 at 1.99% over 7 years. | - | - | 46,443 | 216,203 | 47,377 |
| General Obligation Bond Series 2015A with Carter Bank & Trust for \$1,800,000 dated August 13, 2015, at 2.95% commencing March 1, 2016, and terminating September 1, 2034. | 1,288,957 | 46,043 | - | 1,335,000 | 85,000 |
| Subtotal | 5,167,489 | 460,995 | 480,762 | 5,147,722 | 583,609 |
| Compensated Absences | 454,678 | - | (14,272) | 440,406 | 44,040 |
| Total Governmental Activities | 5,622,167 | 460,955 | 466,490 | 5,588,128 | 627,649 |
| 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. | 16,121 | - | 7,054 | 9,067 | 6,960 |
| Lease with Bci Capital for \$38,018 payable over 60 months with 0%. | - | 38,018 | 5,069 | 32,949 | 7,604 |
| Lease with Bci Capital for 39 months with an interest rate of 1.78% monthly payments of principal and interest of \$588.22. | - | 23,218 | 20,058 | 3,160 | 3,160 |
| Lease with Bci Capital for 60 months with an interest rate of 1.19% and monthly payments of principal and interest of \$541.02. | - | 31,499 | 4,092 | 27,407 | 6,200 |
| Finance lease of \$29,618 payable over 60 months with an interest rate of 1.18% with principal and interest payment of \$508.62. | - | 29,618 | 3,849 | 25,769 | 5,830 |
| 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. | 1,304,100 | - | 76,000 | 1,128,000 | 78,000 |
| General Obligation Bond Series 2020A with Zion Bank dated December 2020; interest rates vary from 3% to 5% payable semi-annually on August 1 and February 1; principal payments begin on August 1, 2021, and matures in 20 years in August 2040. | 6,750,000 | - | 105,000 | 6,645,000 | 270,000 |
| \$6 million General Obligation Bond Anticipation Note, Series 2020 (BAN); interest rate of 1.33% payable semi-annually June 1 and December 1; final principal is due at final maturity on December 1, 2022. | 6,000,000 | - | - | 6,000,000 | 6,000,000 |
| General Obligation Refunding Bond, Series 2006 with Carter Bank and Trust, principal amount of \$7,560,000, issued June 15, 2006, with interest at 1.21%, subject to be reset in future years, interest due and payable in semi-annual installments on May 1 and November 1, commencing November 1, 2006. Principal shall be due and payable in annual installments on May 1 of each year, commencing May 1, 2007, through and including the maturity date of May 1, 2036. | 3,393,918 | - | 167,496 | 3,224,422 | 176,276 |
| USDA Rural Development General Obligation and Revenue Water System Bond, Series 2013A issued December 16, 2013 with a maximum face amount of \$9,000,000 at 2.375% interest payable over 40 years with the first two years having interest only with principal paid annually thereafter with interest paid semi-annually. | 7,776,120 | 122,353 | 169,263 | 7,606,852 | 173,327 |

| Primary Government Governmental Activities | Balance July 1, 2021 | Increase | Decrease | Balance June 30, 2022 | Due Within One Year |
|---|---------------------------------|-------------------|---------------------|----------------------------------|--------------------------------|
| USDA Rural Development General Obligation & Revenue Water System Bond, Series 2012A at 2.00%; interest only for first 24 months, paid annually, then 456 monthly payments of \$5,769. | 1,590,791 | - | 37,705 | 1,555,617 | 38,466 |
| Water and wastewater Revenue Bond Series 2018 with Sterling Bank, for \$5,593,000 issued September 14, 2018 at 3.88%. Interest payments are due semi-annually on April 1 and October 1 of each year with an annual principal payment due on October 1. Bond matures on October 1, 2038. | 5,390,000 | - | 211,000 | 5,179,000 | 219,000 |
| Subtotal | 32,220,950 | 122,353 | 806,586 | 31,543,448 | 6,988,674 |
| Bond Premium on Series 2020 bonds | 1,216,314 | - | - | 1,216,314 | 60,816 |
| Total Bonds and Premium | 33,437,264 | 122,353 | 806,586 | 32,759,762 | 7,049,490 |
| Compensated Absences | 164,465 | - | (4,623) | 159,842 | 15,984 |
| Total Business-Type Activities | 33,601,729 | 122,353 | 801,963 | 32,919,604 | 7,065,474 |
| Total Primary Government | <u>\$ 39,223,896</u> | <u>\$ 583,348</u> | <u>\$ 1,268,453</u> | <u>\$ 38,507,732</u> | <u>\$ 7,693,123</u> |

General Obligation Refunding Bonds – December 2020

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

General Obligation Refunding Bonds – December 2020

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

11 *Net Investment in Capital Assets*

The “net investment in capital assets” amount reported on the government-wide Statement of Net Position as of June 30, 2022, is determined as follows:

| | Governmental Activities | Business- Type Activities |
|---|------------------------------------|--|
| <i>Net Investment in Capital Assets</i> | | |
| Cost of Capital Assets | \$43,297,662 | \$45,574,979 |
| Less: Accumulated Depreciation | (28,271,288) | (14,300,824) |
| Book Value | 15,026,374 | 31,274,155 |
| Less: Capital Related Debt | (4,949,358) | (32,728,496) |
| Add: Restricted Cash From Bond Proceeds | - | 3,789,356 |
| Net Investment in Capital Assets | <u>\$10,077,016</u> | <u>\$2,335,015</u> |

12 *Deferred Inflows of Resources*

Deferred inflows of resources are comprised of the following:

Primary Government - General Fund

| | |
|---|-------------------|
| Delinquent taxes not collected within 60 days | <u>\$ 274,502</u> |
|---|-------------------|

13 *Risk Management*

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

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

The following constitutional and appointed officers are insured through the Commonwealth of Virginia, Department of the Treasury, and Division of Risk Management in effect at June 30, 2022:

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

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

14 *Commitments and Contingencies*

Federal programs in which the City participates were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

15 *Litigation*

At June 30, 2022, 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. At June 30, 2022, there were several matters of dispute and potential litigation involving the City and another local jurisdiction. The first involves billings from the Greenville County Sheriff's office. Litigation in this matter has resulted in a judgment for the County Sheriff in the amount of \$ 676,914. The City will contest (appeal) this decision. The second involves the Greenville County School System. Emporia shares the provision of educational services with the Greenville County School System. The amount of shared services cost is in dispute. On the second matter, the City does anticipate additional costs associated with Greenville County School System. However, the City and the County have continued discussions and negotiations toward resolution. Additionally, the County continues to owe the City for shared costs for prior year services as determined by independent audit of the Greenville County School System.

16 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed 10% of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publicly owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

| | | |
|---|----|-------------|
| Total Assessed Value of Taxed Real Property | \$ | 361,319,500 |
| Debt Limits per Constitution of Virginia - 10% Assessed Value | \$ | 36,131,950 |
| <i>Amount of Debt Applicable to Debt Limit</i> | | |
| Gross debt | | 7,065,836 |
| Legal Debt Margin - June 30, 2022 | \$ | 29,066,114 |

Note: Includes all long-term general obligation bonded debt and United States Department of Agriculture Note as disclosed in Note 10. Excludes capital leases and compensated absences.

17 Fund Balances – Governmental Funds

As of June 30, 2022, fund balances are composed of the following:

| | Primary Government | | | |
|-----------------------------------|-------------------------------------|---|--|---|
| | Emporia General Fund | Emporia Redevelopment and Housing and Housing Authority Fund | Emporia Industrial Development Authority Fund | Total Governmental Funds |
| Restricted for | | | | |
| Citizens Bank building investment | \$ - | \$ 1,366,145 | \$ - | \$ 1,366,145 |
| Total Restricted Balances | - | 1,366,145 | - | 1,366,145 |
| Assigned | 96,438 | - | 164,831 | 261,269 |
| Unassigned | 12,906,696 | - | - | 12,906,696 |
| Total Fund Balances | \$ 1,319,514 | \$ 1,366,145 | \$ 164,831 | \$ 145,550,490 |

18 *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, 2022.

| <u>Type of Business</u> | <u>Purpose</u> | <u>Percentage of Taxes Abated During the Fiscal Year</u> | <u>Amount of Taxes Abated During the Fiscal Year</u> |
|-------------------------|--|--|--|
| Manufacturing | Machinery and tools tax Utility tax (local) | 50% | \$ 179,799 |

19 *Subsequent Events*

Management has performed an analysis of the activities and transactions subsequent to June 30, 2022, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2022. Management has performed their analysis through December 15, 2023.

20 *Pension Plan*

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 Retirement Plan and the additions to/deductions from the Political Subdivision Retirement Plan's fiduciary net 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.

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 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>About Plan 1</p> <p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.</p> | <p>About Plan 2</p> <p>Same as Plan 1.</p> | <p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees. |

| RETIREMENT PLAN PROVISIONS | | |
|--|---|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p> <p><i>Hybrid Opt-In Election</i> 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.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 1 or ORP.</p> | <p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><i>Hybrid Opt-In Election</i> 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.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan, and remain as Plan 2 or ORP.</p> | <p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> Political subdivision employees* Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1- April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 <p><i>*Non-Eligible Members</i> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p> |
| <p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pretax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p> | <p>Retirement Contributions Same as Plan 1.</p> | <p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p> |

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

| RETIREMENT PLAN PROVISIONS | | |
|---|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p> | <p>Vesting Same as Plan 1.</p> | <p>Vesting <i>Defined Benefit Component:</i> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distributions not required, except as governed by law.</p> |

| RETIREMENT PLAN PROVISIONS | | |
|---|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied. | Calculating the Benefit See definition under Plan 1. | Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1. <i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. |
| Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee. | Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee. | Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan. |
| Service Retirement Multiplier <i>VRS:</i> 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. | Service Retirement Multiplier <i>VRS:</i> 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 service credit 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. | Service Retirement Multiplier <i>Defined Benefit Component:</i> <i>VRS:</i> 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. <i>Defined Contribution Component:</i> Not applicable. |
| Normal Retirement Age <i>VRS:</i> Age 65. Political subdivision hazardous duty employees: Age 60. | Normal Retirement Age <i>VRS:</i> Normal Social Security retirement age. Political subdivision hazardous duty employees: Same as Plan 1. | Normal Retirement Age <i>Defined Benefit Component:</i> <i>VRS:</i> Same as Plan 2. Political subdivision hazardous duty employees: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions. |

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

| RETIREMENT PLAN PROVISIONS | | |
|---|---|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><i>Eligibility:</i> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI- U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><i>Eligibility:</i> Same as Plan 1.</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><i>Defined Benefit Component:</i> Same as Plan 2.</p> <p><i>Defined Contribution Component:</i> Not applicable.</p> <p><i>Eligibility:</i> Same as Plan 1 and Plan 2.</p> |
| <p><i>Exceptions to COLA Effective Dates:</i></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short- term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. <p>The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</p> | <p><i>Exceptions to COLA Effective Dates:</i></p> <p>Same as Plan 1.</p> | <p><i>Exceptions to COLA Effective Dates:</i></p> <p>Same as Plan 1 and Plan 2.</p> |

| RETIREMENT PLAN PROVISIONS | | |
|--|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| 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. | 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. | 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 Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay. | Purchase of Prior Service Same as Plan 1. | Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: <ul style="list-style-type: none"> Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable. |

Employees Covered by Benefit Terms

As of the June 30, 2020 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 | 86 |
| Inactive members: | 11 |
| Vested inactive members | |
| Non-vested inactive members | 29 |
| LTD | 0 |
| Inactive members active elsewhere in VRS | <u>44</u> |
| Total inactive members | 84 |
| Active members | <u>106</u> |
| Total covered employees | <u>276</u> |

Contributions

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

If the employer used less than the certified rate: The City of Emporia, Virginia's contractually required contribution rate for the year ended June 30, 2022, was 12.05% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarial rate for the City of Emporia, Virginia's plan was 12.05%.

If the employer used the certified rate: The City of Emporia, Virginia's contractually required contribution rate for the year ended June 30, 2022, was 12.05% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City of Emporia, Virginia were \$648,606 and \$617,679 for the years ended June 30, 2022, and June 30, 2021, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less than employer's fiduciary net position. For City of Emporia, Virginia, the NPL was measured as of June 30, 2021. The total pension liability used to calculate the NPL was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

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, 2020, 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, 2021.

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2019, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2020.

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

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70. |
| Withdrawal Rates | Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Long-Term Expected Rate of Return

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

| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return* |
|---------------------------------------|--|---|--|
| Public Equity | 34.00% | 5.00% | 1.70% |
| Fixed Income | 15.00% | 0.57% | 0.09% |
| Credit Strategies | 14.00% | 4.49% | 0.63% |
| Real Assets | 14.00% | 4.76% | 0.67% |
| Private Equity | 14.00% | 9.94% | 1.39% |
| MAPS - Multi -Asset Public Strategies | 6.00% | 3.29% | 0.20% |
| PIP- Private Investment Partnership | 3.00% | 6.84% | 0.21% |
| Total | 100.00% | | 4.89% |
| | | Inflation | 2.50% |
| | | *Expected arithmetic nominal return | 7.39% |

*The above allocation provides a one-year expected return of 7.39%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various

economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2021, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2021, on, participating employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of currently active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

| | | <u>Increase (Decrease)</u> | |
|--|-----------------------------------|---------------------------------------|---------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at June 30, 2020 | \$ 29,563,245 | \$ 26,040,322 | \$ 3,522,923 |
| Changes for the Year: | | | |
| Service cost | 643,025.00 | - | 643,025.00 |
| Interest | 1,938,687.00 | - | 1,938,687.00 |
| Changes of benefit terms | - | - | - |
| Changes of assumptions | 1,013,861.00 | - | 1,013,861.00 |
| Differences between expected and actual experience | (322,941.00) | - | (322,941.00) |
| Contributions – employer | - | | (595,482.00) |
| Contributions – employee | - | | (244,301.00) |
| Net investment income | - | 7,052,088.00 | (7,052,088.00) |
| Benefit payments, including refunds of employee contributions | (1,683,902.00) | (1,683,902.00) | - |
| Administrative expense | - | (17,904.00) | 17,904.00 |
| Other changes | - | 661.00 | (661.00) |
| Net Changes | 1,588,730 | 6,190,726 | (4,601,996) |
| Balances at June 30, 2021 | \$ 31,151,975 | \$ 32,231,048 | \$ (1,079,073) |

Sensitivity of the NPL to Changes in the Discount Rate

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

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|-------------------------|-----------------------------------|--|-----------------------------------|
| Political subdivision's | | | |
| Net Pension Liability | \$ 2,810,765 | \$ (1,079,073) | \$ (4,311,452) |

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

For the year ended June 30, 2022, the City of Emporia, Virginia recognized pension expense of \$1,036,099. At June 30, 2022, the City of Emporia, Virginia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 84,193 | \$ 222,837 |
| Change in assumptions | 730,169 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 3,502,287 |
| Employer contributions subsequent to the measurement date | 648,606 | - |
| Total | <u>\$ 1,462,968</u> | <u>\$ 3,725,124</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Pension Plan Data

| Year Ended June 30 | |
|-------------------------------|--------------|
| 2023 | \$ (458,552) |
| 2024 | (572,388) |
| 2025 | (815,133) |
| 2026 | (1,064,689) |
| 2027 | - |
| Thereafter | - |

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

21 *Other Post-Employment Benefits - Group Life Insurance Program*

Plan Description

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et. Seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a Basic Group Life Insurance benefit for employees of participating employers. For purposes of measuring the net GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance Plan and the additions to/deductions from the VRS Group Life Insurance Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

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

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

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

| <p style="text-align: center;">GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</p> |
|---|
| <p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p> |
| <p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions:</i> In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> - Accidental dismemberment benefit - Safety belt benefit - Repatriation benefit - Felonious assault benefit - Accelerated death benefit option |
| <p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to retired members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p> |
| <p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA is \$8,984 as of June 30, 2022.</p> |

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2022, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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

At June 30, 2022, the entity reported a liability of \$401,855 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2020, and rolled forward to the measurement date of June 30, 2021. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was .54% as compared to .52% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$16,358. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 32,972 | \$ 2,203 |
| Net difference between projected and actual earnings on pension plan investments | 68,999 | - |
| Change in assumptions | 15,937 | 39,553 |
| Change in proportionate share | 19,990 | 12,084 |
| Employer contributions subsequent to the measurement date | <u>27,758</u> | <u>-</u> |
| Total | <u><u>\$ 165,656</u></u> | <u><u>\$ 53,840</u></u> |

\$27,758 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| Year Ended June 30 | |
|-------------------------------|-----------|
| 2023 | \$ 12,691 |
| 2024 | 14,073 |
| 2025 | 11,183 |
| 2026 | 555 |
| 2027 | - |
| Thereafter | - |

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method. The following assumptions, which applied to all periods included in the measurement, were used to roll the valuation forward to the measurement date of June 30, 2022.

| | |
|---------------------------------------|--|
| Inflation | 2.50% |
| Salary increases, including inflation | |
| General state employees | 3.50% - 5.35% |
| Teachers | 3.50% - 5.95% |
| SPORS employees | 3.50% - 4.75% |
| Val ORS employees | 3.50% - 4.75% |
| JRS employees | 4.00% |
| Locality - General employees | 3.50% - 5.35% |
| Locality - Hazardous Duty employees | 3.50% - 4.75% |
| Investment rate of return | 6.75%, net of investment expenses, including inflation |

Mortality rates – General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

GLI OPEB Liability

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

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 3.54%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

| | 1.00% Decrease (2.54%) | Current Discount Rate (3.54%) | 1.00% Increase (4.54%) |
|---|-----------------------------------|--|-----------------------------------|
| State Agency's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability | \$ 486,891 | \$ 445,848 | \$ 408,117 |

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2020 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

22 Aggregate OPEB Information

| | Primary Government | | | |
|---|------------------------------|-----------------------------|---|-------------------------|
| VRS OPEB Plans | Deferred Outflows | Deferred Inflows | Net OEPB Liability (Asset) | OEPB Expense |
| <i>Group Life Insurance</i> | \$ 97,965 | \$ 122,839 | \$ 289,089 | \$ 16,358 |
| Primary Government Retiree Health Insurance | | | | |
| Primary Government | 81,078 | (138,834) | 445,848 | 42,987 |
| Totals | <u>\$ 179,043</u> | <u>\$ (15,995)</u> | <u>\$ 734,937</u> | <u>\$ 59,345</u> |

23 Other Post-Employment Benefits Plan

Plan Description

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

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

- Anthem KA 500 Anthem KA Expanded
- Retirees who are Medicare eligible may only elect the Medicare supplement.

Relationship between Valuation Date, Measurement Date, and Reporting Date

The valuation date is July 1, 2019. This is the date as of which the actuarial valuation is performed. The measurement date is June 30, 2022. This is the date as of which the total OPEB liability is determined. The reporting date is June 30, 2022. This is the plan's and/or employer's fiscal year ending date.

Significant Changes

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

Participant Data as of July 1, 2020

| | Number |
|-------------------------|---------------|
| Actives | 102 |
| Retirees | 3 |
| Beneficiaries | 0 |
| Spouses of Retirees | 0 |
| | |
| Total Covered Employees | 102 |

Changes in Total OPEB Liability

| | Increase (Decrease) | Total OPEB Liability |
|--|----------------------------|-----------------------------|
| Balances at June 30, 2021 | \$ | 561,751 |
| Changes for the Year: | | |
| Service cost | | 32,552 |
| Interest on total OPEB liability | | 12,814 |
| Effect of plan changes | | - |
| Effect of economic/demographic gains or losses | | (160,910) |
| Effect of assumptions changes or inputs | | 1,743 |
| Benefit Payments | | (2,102) |
| Balances at June 30, 2022 | \$ | 445,848 |

Sensitivity Analysis

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

| | 1.00% Decrease (2.54%) | Current Discount Rate (3.54%) | 1.00% Increase (4.54%) |
|----------------------|-----------------------------------|--|-----------------------------------|
| Total OPEB Liability | \$ 486,591 | \$ 445,848 | \$ 408,117 |

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

Using Current Healthcare Cost Trend Rates

| | 1.00% Decrease | Current Discount Rate | 1.00% Increase |
|----------------------|-----------------------|----------------------------------|-----------------------|
| Total OPEB Liability | \$ 390,383 | \$ 445,848 | \$ 510,855 |

As of June 30, 2022, the deferred outflows and inflows of resources are as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 64,219 | \$ (136,894) |
| Change in assumptions | 16,859 | (1,940) |
| Employer contributions subsequent to the measurement date | - | - |
| Total | <u>\$ 81,078</u> | <u>\$ (138,834)</u> |

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

| Year Ended June 30 | |
|-------------------------------|------------|
| 2023 | \$ (2,435) |
| 2024 | (2,892) |
| 2025 | (2,892) |
| 2026 | (9,150) |
| 2027 | (23,756) |
| Thereafter | (16,631) |

Total OPEB Liability

| | | June 30, 2021 | | June 30, 2022 |
|---|----|----------------------|----|----------------------|
| Total OPEB Liability | \$ | 561,751 | \$ | 445,848 |
| Covered Payroll | | 4,876,404 | | 5,043,851 |
| Total OPEB Liability as a % of Covered Payroll | | 11.52% | | 8.84% |

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

Discount Rate

| | 2021 | 2022 |
|---|-------------|-------------|
| Discount Rate | 2.16% | 3.54% |
| 20 Year Tax-Exempt Municipal Bond Yield | 2.16% | 3.54% |

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

Other Key Actuarial Assumptions

The demographic assumptions used to determine the Total OPEB Liability as of June 30, 2022, were based on the results of an actuarial experience study for the Virginia Retirement System covering the period from July 1, 2016, to June 30, 2020. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on July 1, 2019.

| | | |
|---------------------------------------|--|---|
| Valuation Date | July 1, 2019 | July 1, 2021 |
| Measurement Date | June 30, 2021 | June 30, 2022 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Inflation | 2.50% | 2.50% |
| Medical Trend Rate | Please see June 30, 2020 GASB 75 report | Please see July 1, 2021 valuation report |
| Salary Increases, including inflation | Graded Scale | Graded Scale |

III. REQUIRED SUPPLEMENTARY INFORMATION



City of Emporia, Virginia
Budgetary Comparison Schedule
June 30, 2022

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|------------------|--|
| Revenues | | | | |
| General Property Taxes | | | | |
| Real Property taxes | \$ 3,426,222 | \$ 3,426,222 | \$ 3,384,702 | \$ (41,520) |
| Personal Property taxes | 1,100,000 | 1,100,000 | 1,495,303 | 395,303 |
| Public Service corporation property taxes | 221,589 | 221,589 | - | (221,589) |
| Machinery & Tools Taxes | 468,009 | 468,009 | 456,117 | (11,892) |
| Delinquent taxes | 180,000 | 180,000 | 89,516 | (90,484) |
| Penalties and interest on taxes | 61,000 | 61,000 | 82,660 | 21,660 |
| Total General Property Taxes | 5,456,820 | 5,456,820 | 5,508,298 | 51,478 |
| Other Local Taxes | | | | |
| Local sales and use taxes & State Sales taxes | 1,700,000 | 1,700,000 | 3,252,054 | 1,552,054 |
| Consumers Utility taxes | 397,000 | 397,000 | 358,545 | (38,455) |
| Business License taxes | 790,000 | 790,000 | 951,036 | 161,036 |
| Franchise Tax | 39,000 | 39,000 | - | (39,000) |
| Motor vehicle licenses | 117,270 | 117,270 | 116,080 | (1,190) |
| Bank & Railroad stock taxes | 185,000 | 185,000 | 217,710 | 32,710 |
| Tax on recordation and wills | 29,500 | 29,500 | 56,155 | 26,655 |
| Lodging taxes | 1,350,000 | 1,350,000 | 1,531,387 | 181,387 |
| Meals taxes | 2,000,000 | 2,000,000 | 2,310,414 | 310,414 |
| Communications Sales & Use Taxes | 210,600 | 210,600 | 389,149 | 178,549 |
| Gaming Revenue Tax | - | - | 7,056 | 7,056 |
| Total Other Local Taxes | 6,818,370 | 6,818,370 | 9,189,585 | 2,371,215 |
| Permits, Privilege Fees, and Regulatory Licenses | | | | |
| Animal Licenses | 2,200 | 2,200 | 1,460 | (740) |
| Planning and zoning | 1,750 | 1,750 | 1,150 | (600) |
| Building permits | 12,000 | 12,000 | 21,431 | 9,431 |
| Other Permits | 350 | 350 | 10 | (340) |
| Yard Sale Permits | - | - | 5 | 5 |
| Permits & Other Licenses | 14,100 | - | - | - |
| Total Permits,Privilege Fees, and Regulatory Licenses | 16,300 | 16,300 | 24,056 | 7,756 |
| Fines and Foreitures | | | | |
| Court Fines & Forfeitures | 1,200,000 | 1,200,000 | 646,486 | (553,514) |
| Drug forfeiture Money | 10,000 | 22,947 | (3,729) | (26,676) |
| Interest from the County | 7,000 | 7,000 | 3,238 | (3,762) |
| Courthouse Maintenance Fees | 23,000 | 23,000 | 13,775 | (9,225) |
| Courthouse Security Fees | 105,000 | 105,000 | 125,310 | 20,310 |
| Jail Admission Fees | 1,500 | 1,500 | 646 | (854) |
| Electronic Summons System Fees | 36,000 | - | - | - |
| Total Fines & Forfeitures | 1,382,500 | 1,359,447 | 785,725 | (573,722) |
| Revenue from Use of Money and Property | | | | |
| Interest on bank deposits | - | - | 3,662 | 3,662 |
| Interest on Investments | 160,000 | 160,000 | 2,283 | (157,717) |
| Total Revenue from Use of Money & Prop. | 160,000 | 160,000 | 5,945 | (154,055) |

City of Emporia, Virginia
Budgetary Comparison Schedule
June 30, 2022

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|------------------|--|
| Charges for Services | | | | |
| Law Library | 3,000 | 3,000 | 1,338 | (1,662) |
| Fire & Rescue Services | - | - | 30,000 | 30,000 |
| Animal Control | - | - | 655 | 655 |
| Sanitation Fees | 910,000 | 910,000 | 1,015,370 | 105,370 |
| Weed Cutting | 18,000 | 18,000 | 10,710 | (7,290) |
| Miscellaneous | 5,000 | 5,000 | - | (5,000) |
| Total Charges for Services | 936,000 | 936,000 | 1,058,073 | 122,073 |
| Recovered Costs | | | | |
| From Greensville County, Virginia | | | | |
| Children Services Act | 2,125 | 2,125 | 2,125 | - |
| Court Services | 30,958 | 30,958 | 9,167 | (21,791) |
| County | 58,400 | 58,400 | 199,898 | 141,498 |
| Refunds from Vendors | 10,500 | 10,500 | 1,678 | (8,822) |
| Recycling | 8,300 | 8,300 | 15,652 | 7,352 |
| Economic Development Authority | 119,803 | 119,803 | - | (119,803) |
| Other localities | 37,497 | 37,497 | 8,668 | (28,829) |
| Extradition of Prisoners | 500 | 500 | - | (500) |
| Total Recovered Costs | 268,083 | 268,083 | 237,189 | (30,894) |
| Miscellaneous | | | | |
| Gifts & Donations | - | - | 100 | 100 |
| Sale of Materials & Supplies | 2,500 | 2,500 | 52,531 | 50,031 |
| Insurance Refunds | 5,000 | 5,000 | 12,734 | 7,734 |
| Miscellaneous | 5,000 | 5,000 | 62,296 | 57,296 |
| Tax Collections Adm & Adv. Fees | 30,000 | 30,000 | 22,789 | (7,211) |
| Capital Credit Refund | - | - | 4,752 | 4,752 |
| Vmlip Risk mgt. Grant | - | - | 500 | 500 |
| Expenditure Refunds | - | - | 18,458 | 18,458 |
| Credit/Debit Card Fees | 5,000 | 5,000 | 6,510 | 1,510 |
| BOA P-card Rebate | 7,585 | 7,585 | - | (7,585) |
| Total Miscellaneous | 55,085 | 55,085 | 180,671 | 125,586 |
| Intergovernmental | | | | |
| <i>Revenue from the Commonwealth of Virginia</i> | | | | |
| <i>Non-Categorical Aid</i> | | | | |
| Auto rental taxes | 18,000 | 18,000 | 18,157 | 157 |
| Moped sales tax | - | - | 274 | 274 |
| Rolling stock taxes-motor vehicle carriers | 11,000 | 11,000 | 11,307 | 307 |
| Personal Property Tax Relief | 570,319 | 570,319 | 570,320 | 1 |
| Recordation and grantors ' tax | 6,480 | 6,480 | - | (6,480) |
| Total Noncategorical Aid | 605,799 | 605,799 | 600,058 | (5,741) |
| <i>Categorical Aid</i> | | | | |
| Shared Expenses | | | | |
| DCJS Sexual Assault Grant-State | 46,479 | 46,479 | 89,006 | 42,527 |
| Sheriff | 158,716 | 158,716 | 152,143 | (6,573) |
| Emergency Services State | 138,606 | 138,606 | 80,342 | (58,264) |
| Commissioner of the Revenue | 87,258 | 87,258 | 82,246 | (5,012) |
| Treasurer | 66,085 | 66,085 | 65,336 | (749) |
| Registrar/Electoral Board | 35,950 | 35,950 | 56,997 | 21,047 |
| Assistance to Localities Operations .Police Dept | 220,148 | 220,148 | 57,411 | (162,737) |
| CIG program | - | - | 2,939 | 2,939 |
| Va. Juvenile Community Crime Control | 109,248 | 109,248 | 87,982 | (21,266) |
| VDOT - E. Atlantic St. Sidewalk Project | 400,815 | 400,815 | 16,786 | (384,029) |
| CANP Grant | - | 36,590 | - | (36,590) |

City of Emporia, Virginia
Budgetary Comparison Schedule
June 30, 2022

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-------------------|-------------------|--|
| DCJS CORONAVIRUS EMERGENCY | - | 15,051 | - | (15,051) |
| DCJS ARPA FUNDS | - | 98,000 | 54,178 | (43,822) |
| CAC ARPA FUNDS | - | 30,000 | 3,686 | (26,315) |
| DSS ARPA | - | 24,359 | - | (24,359) |
| E-911 Wireless Board | 146,023 | 146,023 | 50,658 | (95,365) |
| State sales tax-education | 1,137,553 | 1,137,553 | 1,671,879 | 534,326 |
| Virginia Commission of the Arts | 4,500 | 4,500 | 4,500 | - |
| Victim Witness Grant -State | 27,135 | 27,135 | 105,530 | 78,395 |
| Family Violence Prevention Program | 127,730 | 127,730 | 70,391 | (57,339) |
| VDSS Child Advocacy Services -State | 156,943 | 156,943 | 258,464 | 101,521 |
| VDOT- Streets & Highways | 1,146,467 | 1,146,467 | 1,191,416 | 44,949 |
| Litter Control | 5,000 | 5,000 | 7,981 | 2,981 |
| Tobacco Region Rev. Comm. Grant | - | - | 71,320 | 71,320 |
| Total Categorical Aid | 4,014,656 | 4,218,656 | 4,181,191 | (37,465) |
| Total Revenue from the Commonwealth of Virginia | 4,620,455 | 4,824,455 | 4,781,249 | (43,206) |
| Revenue From The Federal Government | | | | |
| DCJS Sexual Asslt. Grant -Fed | 263,380 | 263,380 | 459,213 | 195,833 |
| DCJS Special Sexual Asslt. Grant Federal | - | - | 9,145 | 9,145 |
| Victim Witness Grant -Federal | 81,404 | 81,404 | - | (81,404) |
| Assistance to Localities Oper. PD | - | 36,590 | - | (36,590) |
| Federal Categorical Aid | 146,023 | 146,023 | - | (146,023) |
| CSLFRF NEU (COVID RECOV. FUNDS -REVENUE) | - | - | 1,314,213 | 1,314,213 |
| Federal Categorical Aid | | | | - |
| DCJS Victim Witness Grants | - | 2,773,282 | - | (2,773,282) |
| Victim Witness Grant -Federal | 227,427 | 264,017 | - | - |
| Fire program Revenue | 21,587 | 30,000 | 37,750 | 7,750 |
| Emergency services Federal | 34,000 | 34,000 | 35,089 | 1,089 |
| OEMS GRANT | - | 51,828 | - | (51,828) |
| Total Revenue from the Federal Government | 773,821 | 3,680,524 | 1,855,410 | (1,561,097) |
| Total Intergovernmental Revenues | 5,394,276 | 8,504,979 | 6,636,660 | (1,604,303) |
| Electronic Summons Revenue | | | | |
| Electronic summons Fees | - | 36,000 | 19,863 | (16,137) |
| Electronic Summons Revenue | - | 36,000 | 19,863 | (16,137) |
| Total Revenues | 21,093,233 | 24,180,883 | 23,646,065 | 309,393 |

City of Emporia, Virginia
Budgetary Comparison Schedule
June 30, 2022

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|-----------|---|
| Expenditures | | | | |
| Current | | | | |
| <i>General Government Administration</i> | | | | |
| City Council | 255,018 | 255,752 | 255,324 | 428 |
| General Administration | 632,017 | 679,578 | 665,844 | 13,734 |
| Legal services | 107,500 | 107,500 | 132,817 | (25,317) |
| Commissioner of Revenue | 317,425 | 321,785 | 283,143 | 38,642 |
| Treasurer | 106,185 | 107,391 | 150,283 | (42,892) |
| Director of Finance | 231,910 | 232,661 | 194,408 | 38,253 |
| Data Processing | 162,044 | 162,044 | 141,355 | 20,689 |
| Board of Elections/Registrar | 146,795 | 148,528 | 144,315 | 4,214 |
| Total General Government Administration | 1,958,894 | 2,015,239 | 1,967,489 | 47,750 |
| <i>Judicial Administration</i> | | | | |
| Circuit Court-shared services | 1,748,227 | 1,933,909 | 1,794,977 | 138,932 |
| Juvenile and Domestic Relations Court & Magistrate | 141,539 | 145,148 | 143,752 | 1,397 |
| Sheriff's Department | 320,851 | 336,511 | 308,318 | 28,193 |
| Law Library | 3,501 | 3,501 | 1,332 | 2,169 |
| Victim Witness | 187,217 | 187,217 | 192,861 | (5,644) |
| VDSS Child Advocacy Services | 134,259 | 134,259 | 117,598 | 16,661 |
| Family violence/sexual assault grant | 321,862 | 321,862 | 327,080 | (5,218) |
| Sexual assault-victim witness | 104,673 | 104,673 | 113,187 | (8,514) |
| Victim Witness | 111,984 | 111,984 | 109,611 | 2,373 |
| VJCCC Grant | 98,000 | 98,000 | 80,371 | 17,629 |
| DCJS APRA | 30,000 | 30,000 | 4,515 | 25,485 |
| DCJS APRA | - | 36,590 | 18,270 | 18,320 |
| DCJS APRA | - | 24,359 | 21,840 | 2,519 |
| Total Judicial Administration | 3,202,113 | 3,468,014 | 3,233,712 | 234,302 |
| <i>Public Safety</i> | | | | - |
| Police Department | 4,032,750 | 4,211,590 | 3,919,047 | 292,543 |
| Volunteer Fire Department | 214,095 | 167,821 | 242,786 | (74,965) |
| Ambulance and Rescue Service | 16,760 | 12,659 | 25,492 | (12,833) |
| Juvenile Court Services Unit | 35,340 | 35,340 | 29,780 | 5,560 |
| Building inspections | 255,589 | 188,788 | 172,877 | 15,911 |
| Animal control | 118,802 | 114,300 | 108,240 | 6,060 |
| Emergency services | 108,802 | 109,133 | 101,682 | 7,451 |
| Total Public Safety | 4,782,138 | 4,839,631 | 4,599,903 | 239,728 |
| <i>Public Works</i> | | | | - |
| Maintenance of highways, streets, bridges , | 157,011 | 160,197 | 171,238 | (11,042) |
| Sidewalks | 1,286,077 | 1,180,168 | 1,099,634 | 80,534 |
| Refuse collection | 1,075,050 | 999,870 | 852,967 | 146,902 |
| General buildings and grounds | 1,023,193 | 868,196 | 903,707 | (35,511) |
| Total Public Works | 3,541,331 | 3,208,430 | 3,027,547 | 180,884 |
| <i>Health & Welfare</i> | | | | |
| Health Department | 102,639 | 102,639 | 81,699 | 20,940 |
| Mental Health | 49,397 | 49,397 | 49,397 | - |
| Welfare & Social Services | 309,032 | 309,032 | 249,939 | 59,093 |
| Children's Services Act | 156,943 | 156,943 | 156,943 | - |
| Total Health & Welfare | 618,011 | 618,011 | 537,978 | 80,033 |

City of Emporia, Virginia
Budgetary Comparison Schedule
June 30, 2022

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------------|-------------------------|---------------|---|
| <i>Education</i> | | | | |
| Education-Contract Service (shared cost) | 3,905,941 | 4,071,147 | 4,671,921 | (600,774) |
| Health & Welfare | 1,137,553 | 1,137,553 | 1,411,942 | (274,389) |
| Sales Tax Education | 500 | 500 | 500 | - |
| Instructional Support | 5,043,994 | 5,209,200 | 6,084,363 | (875,163) |
| Community College | 53,945 | 53,945 | 89,560 | (35,615) |
| Total Education | 5,097,939 | 5,263,145 | 6,173,923 | (910,778) |
| <i>Parks Recreational & Cultural</i> | | | | - |
| Ground Maintenance | 269,691 | 273,760 | 258,367 | 15,393 |
| Contributions to other entities-EGRA | 51,000 | 51,000 | 53,500 | (2,500) |
| Regional Library | 113,600 | 113,600 | 119,919 | (6,319) |
| Total Parks Recreational & Cultural | 434,291 | 438,360 | 431,786 | 6,574 |
| <i>Community Development</i> | | | | - |
| Development Services | 499,933 | 3,853,731 | 465,607 | 3,388,125 |
| Planning Commission | 6,000 | 6,000 | 654 | 5,346 |
| Economic Development Authority | 5,000 | 30,000 | 2,874 | 27,126 |
| Airport | 60,000 | 60,000 | 64,800 | (4,800) |
| East Atlantic Street Grant | 801,630 | 801,630 | 72,652 | 728,978 |
| South Main Street Grant | - | - | 30,192 | (30,192) |
| Cooperative extension program | 64,421 | 64,421 | 48,869 | 15,552 |
| CSLFRF | - | 2,735,491 | 1,314,212 | 1,421,279 |
| Non-Departmental Costs | 440,877 | 457,862 | 325,256 | 132,606 |
| Total Community Development | 1,877,861 | 8,009,135 | 2,325,116 | 5,684,019 |
| Electronic Summons Expense | - | - | 37,162 | (37,162) |
| Debt & capital lease service | 717,799 | 850,151 | 873,811 | (23,660) |
| Total Expenditures | 22,230,377 | 28,710,117 | 23,208,426 | 5,538,853 |
| Excess (Deficiency) of revenue over expenditures | (1,137,144) | (4,529,234) | 437,639 | (5,229,460) |
| <i>Other Financing Sources (Uses)</i> | | | | |
| Fund Balance Appropriation | (20,000) | (20,000) | (20,000) | - |
| Transfers in | - | - | - | - |
| Transfer out | - | - | (204,799) | (204,799) |
| Capital lease proceeds | - | - | 298,015 | 298,015 |
| Issuance of debt | - | - | - | - |
| Contingency | 79,800 | 76,184 | - | 76,184 |
| Total Other Financing Sources (Uses) | 59,800 | 56,184 | 73,216 | 169,400 |
| Net change in fund balance | (1,017,544) | (4,416,866) | 510,856 | (3,906,010) |
| From Surplus | 1,017,544 | 4,416,866 | - | 4,416,866 |
| Net Change in fund balance after surplus | \$ - | \$ - | 510,856 | \$ (510,856) |
| Fund balance Beginning of Year | | | 12,307,524 | |
| Fund balance End of Year | | | \$ 12,818,380 | |

City of Emporia, Virginia
Budgetary Comparison Schedule
June 30, 2022

Emporia Redevelopment and Housing Authority Fund

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-----------------|-----------|---|
| Revenues | | | | |
| Use of Money and Property | - | - | 13 | 13 |
| Total Revenues | - | - | 13 | 13 |
| Expenditures | | | | |
| Community Development | - | - | 27,588 | (27,588) |
| Excess (Deficiency) of Revenues Over Expenditures | - | - | (27,575) | (27,575) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 25,000 | 25,000 |
| Net Change in Fund Balance after transfer from Surplus | - | - | (2,575) | (2,575) |
| Transfers from Surplis Funds | - | - | - | - |
| Net Change in Fund Balance after Transfer from Surplus | - | - | (2,575) | (2,575) |
| Fund Balance -Beginning of Year | | | 1,368,720 | |
| Fund Balance -End of Year | | | 1,366,145 | |

City of Emporia, Virginia
Budgetary Comparison Schedule
June 30, 2022

Emporia Industrial and Development Authority Fund

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|--------------------|-----------------|------------|---|
| Revenues | | | | |
| Use of money and property | - | - | \$ 161,076 | \$ 161,076 |
| Intergovernmental | - | - | 19,804 | 19,804 |
| | - | - | | |
| Revenue from the Federal Government | - | - | - | - |
| CARES Act | - | - | - | - |
| | - | - | - | - |
| Total Revenue from the Federal Government | - | - | - | - |
| Total Intergovernmental Revenues | - | - | 19,804 | 19,804 |
| | - | - | | |
| Total Revenues | - | - | 180,880 | 180,880 |
| Expenditures | | | | |
| <i>Community Development</i> | - | - | - | - |
| Incentives | - | - | - | - |
| Payouts-Business Incubation Grants | - | - | 56,715 | (56,715) |
| CARES Act | - | - | - | - |
| Total Community Development | - | - | 56,715 | (56,715) |
| | - | - | - | - |
| Total Expenditures | - | - | 56,715 | (56,715) |
| | - | - | | |
| Excess (Deficiency) of Revenues over Expenses | - | - | 124,165 | 124,165 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | - | - | 179,799 | 179,799 |
| Transfers Out | - | - | - | - |
| | - | - | | |
| Total Other Financing Sources (Uses) | - | - | 179,799 | (179,799) |
| | - | - | | |
| Net Change in Fund Balance Before Transfer from Surplus | - | - | 124,165 | 124,165 |
| | - | - | | |
| Transfer from Surplus Funds | - | - | - | - |
| | - | - | | |
| Net Change in Fund Balance After Transfer from Surplus | - | - | 124,165 | 124,165 |
| | - | - | | |
| Fund Balance-Beginning of Year | | | 40,666 | |
| | | | | |
| Fund Balance - End of Year | | | \$ 164,831 | |

City of Emporia, Virginia
Schedule of Changes in the Political Subdivision's
Net Pension Liability and Related Ratios
For the Plan Year Ended June 30, 2022

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Total Pension Liability | | | | | | | |
| Service Cost | \$ 643,025 | \$ 655,207 | \$ 618,606 | \$ 540,486 | \$ 558,549 | \$ 539,612 | \$ 504,635 |
| Interest | 1,938,687 | 1,858,560 | 1,813,886 | 1,746,013 | 17,187,299 | 1,620,434 | 1,573,674 |
| Changes in Benefit Terms | - | - | - | - | - | - | - |
| Difference Between Expected and Actual Experience | (322,941) | 231,899 | (127,060) | 81,374 | (599,615) | 288,704 | (393,028) |
| Changes of Assumptions | 1,013,861 | - | 769,325 | - | (94,063) | - | - |
| Benefit Payments | <u>(1,683,902)</u> | <u>(1,433,270)</u> | <u>(14,783,125)</u> | <u>(1,323,396)</u> | <u>(1,051,117)</u> | <u>(1,050,238)</u> | <u>(984,394)</u> |
| Net Change in Total Pension Liability | 1,588,730 | 1,312,392 | 1,601,632 | 1,044,477 | 523,053 | 1,398,512 | 700,927 |
| Total Pension Liability - Beginning | <u>29,563,245</u> | <u>28,250,853</u> | <u>26,649,221</u> | <u>25,604,744</u> | <u>25,072,691</u> | <u>23,674,179</u> | <u>22,973,252</u> |
| Totl Pension Liability - Ending (a) | <u>\$31,151,975</u> | <u>\$29,563,245</u> | <u>\$28,250,853</u> | <u>\$26,649,221</u> | <u>\$25,604,744</u> | <u>\$25,072,691</u> | <u>\$ 23,674,179</u> |
| Plan Feduciary Net Position | | | | | | | |
| Contributions - Employer | \$ 595,482 | \$ 503,840 | \$ 508,551 | \$ 528,732 | \$ 494,818 | \$ 506,409 | \$ 508,462 |
| Contributions -Employee | 244,301 | 237,063 | 238,219 | 236,618 | 219,230 | 204,860 | 206,241 |
| Net Investment income | 7,052,088 | 500,163 | 1,672,873 | 7,776,476 | 2,650,279 | 378,168 | 963,146 |
| Benefit Payments | (1,683,902) | (1,433,274) | (1,473,125) | (1,323,396) | (1,051,117) | (1,050,238) | (984,394) |
| Adminstrator Charges | 17,904 | (17,214) | (16,945) | (15,472) | (15,335) | (13,592) | (13,256) |
| Other | <u>(661)</u> | <u>(587)</u> | <u>(1,048)</u> | <u>(1,572)</u> | <u>(2,357)</u> | <u>(160)</u> | <u>(203)</u> |
| Net Change in Plan Fiduciary Net Position | 6,190,726 | (210,009) | 928,555 | 1,201,386 | 2,295,518 | 25,447 | 679,996 |
| Plan Fiduciary Net Position - Beginning | <u>26,040,322</u> | <u>26,250,331</u> | <u>25,321,776</u> | <u>24,120,390</u> | <u>21,824,872</u> | <u>21,799,425</u> | <u>21,119,429</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$32,231,048</u> | <u>\$26,040,322</u> | <u>\$26,250,331</u> | <u>\$25,321,776</u> | <u>\$24,120,390</u> | <u>\$21,824,872</u> | <u>\$ 21,799,425</u> |
| Political Subdivision's Net Pension Liability - Ending (a-b) | <u>\$(1,079,073)</u> | <u>\$ 3,522,923</u> | <u>\$2,000,522</u> | <u>\$ 1,327,445</u> | <u>\$ 1,484,354</u> | <u>\$ 3,247,819</u> | <u>\$ 1,874,754</u> |
| Plan Fiduciary Net Position as a Perctage of the Total Pension Liability | 1.035% | 11.92% | 7.08% | 4.98% | 5.80% | 12.95% | 7.92% |
| Covered Payroll | \$ 5,008,851 | \$ 4,955,030 | \$ 4,925,969 | \$ 4,806,696 | \$ 4,475,770 | \$ 4,147,860 | \$ 4,157,086 |
| Political Subdivision's Net Pension as a Percentage of Covered Payroll | (0.215) | 71.10% | 40.61% | 27.62% | 33.16% | 78.30% | 45.10% |

City of Emporia, Virginia
Schedule of Employer Contributions
Political Subdivisions Retirement Plan
For the Years Ended June 30, 2013, through 2022

| Date | Contributions in | | | Contributions | |
|-------------|--|--|---|---|--|
| | Contractually Required Contribution | Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | as a % of Covered Payroll |
| | (1) | (2) | (3) | (4) | (5) |
| 2022 | \$ 650,548 | \$ 650,548 | \$ - | \$ 5,398,735 | 12.05% |
| 2021 | 617,679 | 617,679 | - | 5,125,970 | 12.05% |
| 2020 | 521,765 | 521,765 | - | 4,955,030 | 10.53% |
| 2019 | 518,704 | 518,704 | - | 4,925,969 | 10.53% |
| 2018 | 537,388 | 537,388 | - | 4,806,696 | 11.18% |
| 2017 | 500,390 | 500,390 | - | 4,475,770 | 11.18% |
| 2016 | 508,943 | 508,943 | - | 4,147,860 | 12.27% |
| 2015 | 510,074 | 510,074 | - | 4,157,086 | 12.27% |
| 2014 | N/A | N/A | N/A | N/A | N/A |
| 2013 | N/A | N/A | N/A | N/A | N/A |

For Reference Only:

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

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

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

City of Emporia, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2022

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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

| | |
|---|--|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

All Others (Non 10 Largest) – Hazardous Duty:

| | |
|---|---|
| Mortality Rates (Pre-retirement, post-retirement healthy, and disabled) | Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience and changed final retirement age from 65 to 70 |
| Withdrawal Rates | Rates Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

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

For the Measurement Dates of June 30, 2021, 2020, 2019, and 2018

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|--------------|--------------|--------------|--------------|
| Employer's Proportion of the Net GLI OPEB Liability (Asset) | 0.02474% | 0.02408% | 0.25130% | 0.02528% |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) | \$ 445,848 | \$ 401,855 | \$ 408,932 | \$ 384,000 |
| Employer's Covered Payroll | \$ 5,043,851 | \$ 4,955,030 | \$ 4,925,969 | \$ 4,806,696 |
| Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll | 8.84% | 8.11% | 8.30% | 7.99% |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 67.45% | 52.64% | 52.00% | 51.22% |

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

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 88 of the VRS 2022 Annual Report.

City of Emporia, Virginia
Group Life Insurance OPEB Plan
Schedule of Employer Contributions
For the Years Ended June 30, 2013 through 2022

| Date | Contributions in Relation to | | | Contributions | |
|-------------|--|--|---|---|--|
| | Contractually Required Contribution | Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | as a % of Covered Payroll |
| | (1) | (2) | (3) | (4) | (5) |
| 2022 | \$ 28,761 | \$ 32,356 | \$ - | \$ 5,398,735 | 0.54% |
| 2021 | 27,680 | 27,680 | - | 5,125,970 | 0.54% |
| 2020 | 25,766 | 25,766 | - | 4,955,030 | 0.52% |
| 2019 | 25,615 | 25,615 | - | 4,925,969 | 0.52% |
| 2018 | 24,995 | 24,995 | - | 4,806,606 | 0.52% |
| 2017 | 23,374 | 23,374 | - | 4,475,770 | 0.52% |
| 2016 | 19,927 | 19,927 | - | 4,151,540 | 0.48% |
| 2015 | 19,954 | 19,954 | - | 4,157,087 | 0.48% |
| 2014 | 19,576 | 19,576 | - | 4,078,419 | 0.48% |
| 2013 | 19,402 | 19,402 | - | 4,042,156 | 0.48% |

For Reference Only:

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

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

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

City of Emporia, Virginia
Notes to Required Supplementary Information
OPEB Group Life Insurance Program
For the Year Ended June 30, 2022

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

Changes of assumptions – The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers – General Employees

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

Non-Largest Ten Locality Employers – Hazardous Duty Employees

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

City of Emporia, Virginia
Schedule of Changes in Total OPEB
Liability and Related Ratios
For the Year Ended June 30, 2022

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 32,552 | \$ 28,324 | \$ 22,759 | \$ 16,042 |
| Interest on total OPEB liability | 12,814 | 12,390 | 14,116 | 14,144 |
| Effect of plan changes | - | - | - | - |
| Effect of economic/demographic gains or (losses) | (160,910) | | 116,290 | - |
| Effect of assumption changes or inputs | 1,743 | 2,105 | 21,026 | 13,061 |
| Benefit payments | <u>(2,102)</u> | <u>(26,531)</u> | <u>(18,416)</u> | <u>(5,941)</u> |
| Net change in total OPEB liability | (115,903) | 16,288 | 155,775 | 37,306 |
| Total OPEB liability - beginning | <u>561,751</u> | <u>545,463</u> | <u>389,688</u> | <u>352,382</u> |
| Total OPEB liability - ending | <u><u>\$ 445,848</u></u> | <u><u>\$ 561,751</u></u> | <u><u>\$ 545,463</u></u> | <u><u>\$ 389,688</u></u> |
| Covered payroll | \$ 5,043,851 | \$ 4,876,404 | \$ 4,876,404 | \$ 4,876,760 |
| Political subdivision's net OPEB liability as a percentage of covered payroll | 8.84% | 11.52% | 11.19% | 7.99% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported

City of Emporia, Virginia
Schedule of Contributions
OPEB Retiree Health Insurance
For the Years Ended June 30, 2013 through 2022

| Fiscal Year Ending June 30 | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a % of Covered Payroll |
|---------------------------------------|--|---|---|------------------------|--|
| 2022 | \$ - | \$ - | \$ - | \$ 5,043,851 | 0.00% |
| 2021 | - | - | - | 4,876,404 | 0.00% |
| 2020 | - | - | - | 4,876,404 | 0.00% |
| 2019 | - | - | - | 4,876,404 | 0.00% |
| 2018 | - | - | - | 4,876,404 | 0.00% |
| 2017 | - | - | - | 4,512,300 | 0.00% |
| 2016 | N/A | N/A | N/A | N/A | N/A |
| 2015 | N/A | N/A | N/A | N/A | N/A |
| 2014 | N/A | N/A | N/A | N/A | N/A |
| 2013 | N/A | N/A | N/A | N/A | N/A |

IV. COMPLIANCE SECTION





**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

To the City Council
City of Emporia, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Emporia, Virginia (including its blended component units), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Emporia, Virginia's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

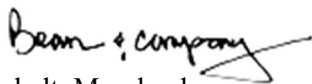
As part of obtaining reasonable assurance about whether the City of Emporia, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

City of Emporia, Virginia's Response to Findings

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

Purpose of this Report

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



Greenbelt, Maryland
December 15 2023



Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance

To the City Council
City of Emporia, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Emporia, Virginia's compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget *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, 2022. City of Emporia, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance); and *for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards, Uniform Guidance, and specifications are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

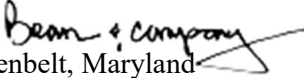
Report on Internal Control over Compliance

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

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

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

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


Greenbelt, Maryland
December 15, 2023



**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, 2022, and have issued our report thereon dated December 15, 2023.

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

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

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

Code of Virginia

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

State Agency Requirements

- Economic Development Opportunity Fund

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

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

Brown & Company

Greenbelt, Maryland
December 15, 2023

City of Emporia, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-through Entity Identifying Number | Total Federal Expenditures |
|---|--|---|-------------------------------|
| U.S. Department of Homeland Security (DHS) | | | |
| Pass-Through Payments | | | |
| <i>Commonwealth of Virginia Department of Emergency Management</i> | | | |
| Emergency Management Performance Grants | 97.042 | 127 | \$ 35,089 |
| Hazard Mitigation Grant | 97.039 | 127 | 63,428 |
| Subtotal- U.S. Department of Homeland Security | | | <u>98,517</u> |
| U.S. Department of the Treasury | | | |
| Pass-Through Payments | | | |
| <i>Commonwealth of Virginia Department of Accounts</i> | | | |
| Coronavirus State and Local Fiscal Recovery Funds to Non-Entitlement Units of Government (ARPA) | 21.027 | 151 | 1,314,212 |
| <i>Commonwealth of Virginia Department of Housing and Community Development</i> | | | |
| COVID 19- ARPA SLFRF Municipal Utility Assistance Program | 21.027 | 165 | 78,690 |
| Subtotal- U.S. Department of the Treasury | | | <u>1,392,902</u> |
| U.S. Department of Justice (DOJ) | | | |
| Pass-Through Payments | | | |
| <i>Commonwealth of Virginia Department of Criminal Justice Services</i> | | | |
| Crime Victim Assistance (VOCA) | 16.575 | 140 | 81,544 |
| Sexual Assault Services Program (SASP) | 16.575 | 140 | 267,737 |
| Victim Witness Program | 16.575 | 140 | 77,613 |
| Edward Byrne Memorial Justice Assistance Grants | 16.738 | 140 | 16,619 |
| DCJS Victim Services American Rescue Act Fund | 16.575 | 140 | 57,894 |
| <i>Commonwealth of Virginia Department of Social Services</i> | | | |
| Crime Victim Assistance Grant-Child Advocacy | 16.758 | 765 | 144,645 |
| DSS American Rescue Plan Act Funds | 16.758 | 765 | 21,840 |
| DSS Child Abuse and Neglect Prevention | 16.758 | | |
| Subtotal- U.S. Department of Justice | | | <u>667,892</u> |
| Grand Totals | | | <u>\$ 2,159,311</u> |

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 the City of Emporia, Virginia under programs of the Federal Government for the year ended June 30, 2022. 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 the City of Emporia, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the 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

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

4. Subrecipients

No awards passed through to subrecipients

City of Emporia, Virginia
Section II Financial Statement Findings
Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statement s audited were prepared in accordance with GAAP: Unmodified
Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

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

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

Identification of major federal programs:

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

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

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

Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings

City of Emporia, Virginia
Section II Financial Statement Findings
Year Ended June 30, 2022

Finding 2022-001

Audit reports and submission of the completed audit report and the Annual Comprehensive Financial Report to the Auditor of Public Accounts and the Federal Clearinghouse is not in compliance with the Commonwealth of Virginia Statutes and Federal guidelines.

Criteria:

State requirements at §15.2-2511 of the Code of Virginia, and Uniform Guidance under OMB audit guidelines.

Condition:

The city has had significant issues, including lack of personnel and other issues noted in previous audit findings as follows:

- 2021-001, and 2020-001-Issues with month end closings
- 2021-002-Bank reconciliations, not timely prepared
- 2021-003-Water and Sewer billings-not timely reconciled and aged; additionally, accounts receivable from the billings did not reconcile to the general ledger
- 2021-004-Transfers reconciliations
- 2021-005-Clearing account reconciliations

Cause:

The 2022 Audit was late because the delay in receiving the 2021 audit until February of 2023, cause the 2022 audit to not be timely completed and submitted.

Effect:

The procedures had to be completed before the audit could be completed. This process caused the audit and the required submissions to the Commonwealth of Virginia and the Clearinghouse to be submitted late. The completion of the 2022 audit could not be accomplished until the 2021 audit was completed. This then caused the 2022 audit to be submitted late.

Recommendation:

The city staff should continue to process and monitor the conditions noted above. This includes monthly reconciliations of original entry journals to the general ledger. Accounting reconciliations and bank reconciliations should be accomplished on a monthly basis. Emporia should monitor and balance clearing house accounts monthly. Additionally, staff should be trained on the BAI system and work with the constitutional officers to complete bank reconciliations and account analysis on a consistent basis. Specific account analysis should include:

- Cash
- Bond debt and principal curtailments and interest amortization and payments
- Transfers and due (to) due from
- Clearing accounts
- Industrial Development and Redevelopment Housing Funds and group of accounts

