

*City of Emporia, Virginia*  
*Comprehensive Annual Financial Report*  
*Year Ended June 30, 2009*



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

## City of Emporia, Virginia

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# FINANCIAL SECTION





**Creedle  
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& Alga**

*A Professional Corporation*

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the  
City Council  
City of Emporia, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Emporia, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Emporia, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Emporia, Virginia, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2010, on our consideration of the City of Emporia, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 38 through 42, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

South Hill, Virginia  
March 10, 2010

## 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, 2009. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the City's financial statements.

### Financial Highlights for Fiscal Year 2009

#### Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$16,669,972. Of this amount, \$4,537,191 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year, general and program revenues of the City's total governmental activities were \$18,192,499 and expenses amounted to \$18,783,065. The City's total net assets decreased \$612,559, after inclusion of changes in encumbrances.

#### Highlights for Fund Financial Statements

- As of June 30, 2009, the City Governmental Funds reported combined fund balances of \$3,486,657, a decrease of \$130,995 in comparison with the prior year. Approximately 99.9 percent of the combined fund balances, \$3,484,657, is available to meet the City's current and future needs.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report consists of two sections: financial and compliance.

- The ***financial section*** has three component parts - management's discussion and analysis (this section), the basic financial statements which include government-wide financial statements and fund financial statements, and required supplementary information.
- The ***compliance section*** is required under the provisions of *Governmental Auditing Standards* and, in some cases, the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

### 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 assets and how they have changed during the fiscal year.

The first government-wide statement - the Statement of Net Assets - presents information on all of the City's assets and liabilities. The difference between assets and liabilities, net assets, can be used as one way to measure the City's financial health, or financial condition. Over time, increases or decreases in the net assets can be one indicator of whether the City's financial condition is improving or deteriorating. Other non-financial factors will also need to be considered, such as changes in the City's property tax base and the condition of City facilities.

The second statement - the Statement of Activities - presents information using the accrual basis accounting method and shows how the City's net assets 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 statements are divided into the following two categories:

Governmental Activities: Most of the City's basic services are reported here, including general government administration; judicial administration; public safety; public works; health and welfare; education; parks, recreation, and cultural; and community development. These activities are financed primarily by property taxes, other local taxes, and Federal and State grants. Governmental Funds are included in the governmental activities.

Business-Type Activities: The City of Emporia, Virginia has a Proprietary Enterprise Fund that accounts for the water and sewer system for the City.

### **Fund Financial Statements**

Traditional users of government financial statements will find the fund financial statements more familiar. These statements provide more detailed information about the City's most significant funds. Funds are used to ensure compliance with finance-related legal requirements and are used to keep track of specific sources of revenue and expenses for particular purposes. The City has three kinds of funds:

Governmental Funds - Most of the City's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances 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 additional long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). The General Fund is the main operating account of the City and, therefore, the largest of the Governmental Funds. The Capital Projects Fund accounts for the construction and debt repayment of Market Drive and Commonwealth Boulevard. These are the only two Governmental Funds of the City at this time.

Proprietary Funds - Proprietary Funds, which consist of Enterprise Funds, operate in a manner similar to private business enterprises in which costs are recovered primarily through a user charge. Proprietary Fund financial statements provide both long and short-term financial information. The City has a Water and Sewer Fund that generates revenue based on consumer charges.

Fiduciary Funds - Fiduciary Funds are used to account for resources held by the City for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide statements because the funds are not available to support the City's programs. The City's Fiduciary Funds consist of an Agency Fund. The funds are used to account for monies received, held, and disbursed on behalf of the Emporia Redevelopment and Housing Authority.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

#### Summary of Net Assets

As of June 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>						
Current and other assets	\$ 4,412,235	\$ 4,306,477	\$ 820,634	\$ 818,963	\$ 5,232,869	\$ 5,125,440
Capital assets (net)	17,089,876	17,988,858	10,791,517	11,074,102	27,881,393	29,062,960
Total Assets	<u>\$21,502,111</u>	<u>\$ 22,295,335</u>	<u>\$11,612,151</u>	<u>\$ 11,893,065</u>	<u>\$33,114,262</u>	<u>\$ 34,188,400</u>
<b>Liabilities</b>						
Other liabilities	\$ 968,338	\$ 730,448	\$ 457,120	\$ 468,384	\$ 1,425,458	\$ 1,198,832
Long-term liabilities	4,405,875	4,712,837	10,612,957	10,994,200	15,018,832	15,707,037
Total Liabilities	<u>5,374,213</u>	<u>5,443,285</u>	<u>11,070,077</u>	<u>11,462,584</u>	<u>16,444,290</u>	<u>16,905,869</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	11,896,749	13,790,700	234,002	160,199	12,130,751	13,950,899
Reserved for encumbrances	2,030	24,024	-	-	2,030	24,024
Unrestricted	4,229,119	3,037,326	308,072	270,282	4,537,191	3,307,608
Total Net Assets	<u>16,127,898</u>	<u>16,852,050</u>	<u>542,074</u>	<u>430,481</u>	<u>16,669,972</u>	<u>17,282,531</u>
Total Liabilities and Net Assets	<u>\$21,502,111</u>	<u>\$ 22,295,335</u>	<u>\$11,612,151</u>	<u>\$ 11,893,065</u>	<u>\$33,114,262</u>	<u>\$ 34,188,400</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 assets of the total financial reporting entity best represent the entity's financial position. In the case of the City's reporting entity, assets exceeded liabilities by \$16,669,972 at June 30, 2009. The largest portion of the reporting entity's net assets, \$12,130,751 reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition. Net assets which are unrestricted total \$4,537,191.

## Statement of Activities

The following table summarizes revenues and expenses for the City as of June 30, 2009:

### Summary of Changes in Net Assets

For the Fiscal Years Ended June 30, 2009 and 2008

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 1,521,816	\$ 1,671,997	\$ 2,458,531	\$ 2,203,125	\$ 3,980,347	\$ 3,875,122
Operating grants and contributions	2,949,237	3,045,797	-	-	2,949,237	3,045,797
<b>General Revenues</b>						
General property taxes, real and personal	4,182,006	4,099,906	-	-	4,182,006	4,099,906
Other taxes	5,331,261	5,272,225	-	-	5,331,261	5,272,225
Noncategorical aid from state	594,515	586,577	-	-	594,515	586,577
Use of property	22,011	16,623	-	-	22,011	16,623
Investment earnings	95,016	162,297	10,609	40,985	105,625	203,282
Miscellaneous	886,493	777,716	141,004	23,684	1,027,497	801,400
Total Revenues	<u>15,582,355</u>	<u>15,633,138</u>	<u>2,610,144</u>	<u>2,267,794</u>	<u>18,192,499</u>	<u>17,900,932</u>
<b>Expenses</b>						
General government administration	1,750,190	1,749,716	-	-	1,750,190	1,749,716
Judicial administration	2,094,281	1,873,868	-	-	2,094,281	1,873,868
Public safety	3,409,039	3,506,993	-	-	3,409,039	3,506,993
Public works	2,668,128	2,581,935	-	-	2,668,128	2,581,935
Health and welfare	548,429	533,343	-	-	548,429	533,343
Education	4,456,431	3,908,035	-	-	4,456,431	3,908,035
Parks, recreation, and cultural	231,861	251,937	-	-	231,861	251,937
Community development	954,143	916,149	-	-	954,143	916,149
Water and sewer	-	-	2,087,193	2,151,120	2,087,193	2,151,120
Interest on long-term debt	172,012	180,315	411,358	451,224	583,370	631,539
Total Expenses	<u>16,284,514</u>	<u>15,502,291</u>	<u>2,498,551</u>	<u>2,602,344</u>	<u>18,783,065</u>	<u>18,104,635</u>
Increase (Decrease) in Net Assets	(702,159)	130,847	111,593	(334,550)	(590,566)	(203,703)
Beginning Net Assets	16,852,050	16,896,445	430,481	703,282	17,282,531	17,599,727
Change in Reserve for Encumbrances	(21,993)	11,791	-	-	(21,993)	11,791
Prior Year Adjustment	-	(187,033)	-	61,749	-	(125,284)
Ending Net Assets	<u>\$ 16,127,898</u>	<u>\$ 16,852,050</u>	<u>\$ 542,074</u>	<u>\$ 430,481</u>	<u>\$ 16,669,972</u>	<u>\$ 17,282,531</u>

Governmental activities decreased the City's net assets by \$724,152. Revenues from governmental activities totaled \$15,582,355. Taxes comprise the largest source of these revenues, totaling \$9,513,267, or 61.1 percent, of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$16,284,514. Education continues to be the City's largest program and highest priority with expenses totaling \$4,456,431. Public safety expenses, which total \$3,409,039, represent the second largest expense, followed by public works expenses which total \$2,668,128.

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, 2009 and 2008

	<u>2009</u>		<u>2008</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 1,750,190	\$ 1,246,433	\$ 1,749,716	\$ 1,342,718
Judicial administration	2,094,281	(1,209,948)	1,873,868	(904,595)
Public safety	3,409,039	(3,288,597)	3,506,993	(3,506,993)
Public works	2,668,128	(2,203,082)	2,581,935	(1,940,577)
Health and welfare	548,429	(548,429)	533,343	(533,343)
Education	4,456,431	(4,456,431)	3,908,035	(3,908,035)
Parks, recreation, and cultural	231,861	(231,861)	251,937	(251,937)
Community development	954,143	(949,534)	916,149	(901,420)
Interest on long-term debt	<u>172,012</u>	<u>(172,012)</u>	<u>180,315</u>	<u>(180,315)</u>
Total	<u>\$ 16,284,514</u>	<u>\$ (11,813,461)</u>	<u>\$ 15,502,291</u>	<u>\$ (10,784,497)</u>

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of June 30, 2009, the City's Governmental Funds reported a combined ending fund balance of \$3,486,657, a decrease of \$130,995 in comparison with the prior year. Approximately 99.9 percent or \$3,484,657 is available for spending at the government's discretion (unreserved/ undesignated fund balance).

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the General Fund had an unreserved fund balance of \$3,294,933 and a reserved fund balance of \$2,030. The General Fund's liquidity can be measured by comparing both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 20.8 percent of total fund expenditures, while total fund balance represents 20.8 percent of that same amount.

### BUDGETARY HIGHLIGHTS

#### General Fund

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

## Budgetary Comparison

### General Fund

For the Fiscal Years Ended June 30, 2009 and 2008

	<u>2009</u>			<u>2008</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>						
Taxes	\$ 9,545,903	\$ 9,485,903	\$ 9,513,267	\$ 9,387,639	\$ 9,387,639	\$ 9,372,131
Other	2,616,587	2,750,295	2,520,136	2,248,525	3,082,724	2,623,075
Intergovernmental	<u>3,522,368</u>	<u>3,705,274</u>	<u>3,539,143</u>	<u>3,471,741</u>	<u>3,843,558</u>	<u>3,617,645</u>
Total Revenues	15,684,858	15,941,472	15,572,546	15,107,905	16,313,921	15,612,851
<b>Expenditures</b>	<u>15,767,633</u>	<u>16,024,247</u>	<u>15,830,183</u>	<u>15,107,905</u>	<u>16,313,921</u>	<u>15,871,829</u>
Excess (Deficiency) of Revenues Over Expenditures	(82,775)	(82,775)	(257,637)	-	-	(258,978)
<b>Other Financing Sources (Uses)</b>						
Proceeds of debt	<u>82,775</u>	<u>82,775</u>	<u>140,000</u>	-	-	<u>74,873</u>
Total Other Financing Sources (Uses)	<u>82,775</u>	<u>82,775</u>	<u>140,000</u>	-	-	<u>74,873</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (117,637)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (184,105)</u>

The final amended budget appropriations, including expenditures, exceeded the original appropriation by \$256,614.

Actual revenues were \$368,926, or 2.3 percent less than final budget amounts, while actual expenditures were \$194,064, or 1.2 percent less than final budget amounts. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2009, include the following:

#### **Less Than Budget**

Real property taxes	\$ 119,916
Local sales and use taxes	75,176

#### **Exceeded Budget**

Delinquent taxes	263,190
Business licenses	44,903

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2009, the City's investment in capital assets totals \$12,077,462 which is net capital assets less related debt.

During fiscal year 2009, the City's net capital assets (including additions, decreases, and depreciation) for business type activities decreased \$282,585 or 2.6 percent, as summarized below:

### Change in Capital Assets

#### Governmental Activities

	<u>Balance June 30, 2008</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2009</u>
Land and land improvements	\$ 1,626,975	\$ -	\$ 1,626,975
Buildings and improvements	5,285,328	38,500	5,323,828
Infrastructure	16,513,036	11,500	16,524,536
Furniture, equipment, and vehicles	4,549,340	218,420	4,767,760
Total Capital Assets	27,974,679	268,420	28,243,099
Less: Accumulated depreciation and amortization	(9,985,821)	(1,167,402)	(11,153,223)
Total Capital Assets, Net	<u>\$ 17,988,858</u>	<u>\$ (898,982)</u>	<u>\$ 17,089,876</u>

#### Business-Type Activities

	<u>Balance June 30, 2008</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2009</u>
Land and land improvements	\$ 102,471	\$ -	\$ 102,471
Buildings and systems	17,254,309	-	17,254,309
Furniture, equipment, and vehicles	958,247	104,616	1,062,863
Total Capital Assets	18,315,027	104,616	18,419,643
Less: Accumulated depreciation and amortization	(7,240,925)	(387,201)	(7,628,126)
Total Capital Assets, Net	<u>\$ 11,074,102</u>	<u>\$ (282,585)</u>	<u>\$ 10,791,517</u>

### Long-Term Debt

As of June 30, 2009, the City's long-term obligations total \$14,735,233 exclusive of compensated absences.

	<u>Balance June 30, 2008</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2009</u>
<b>Governmental Activities</b>			
Long-term debt	\$ 4,460,425	\$ (338,149)	\$ 4,122,276
Compensated absences	252,412	31,187	283,599
Total Governmental Activities	4,712,837	(306,962)	4,405,875
<b>Business-Type Activities</b>			
Long-term debt	10,994,200	(381,243)	10,612,957
Compensated absences	94,569	2,821	97,390
Total Business-Type Activities	11,088,769	(378,422)	10,710,347
Total Primary Government	<u>\$ 15,801,606</u>	<u>\$ (685,384)</u>	<u>\$ 15,116,222</u>

More detailed information on the City's long-term obligations is presented in Note 8 to the financial statements.

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

- The average unemployment rate for the City of Emporia, Virginia in June 2009 was 11.8 percent. This was higher than the state's rate of 7.3 percent and the national rate of 9.7 percent.
- According to the 2000 U. S. Census, the population in the City of Emporia, Virginia was 5,665, an increase of 6.8 percent, since the 1990 U. S. Census.
- The per capita income in the City of Emporia, Virginia was \$15,377 compared to \$23,975 for the state, according to the 2000 U. S. Census data.

The fiscal year 2010 adopted budget anticipates General Fund revenues and expenditures to be \$15,805,002, a 1.4 percent decrease over the fiscal year 2009 budget. Revenues are comprised primarily of General Property Taxes at 26.9 percent with Other Local Taxes comprising 35.1 percent. The City's expenditures on Education continue to be the largest expenditure area at 26.7 percent of total expenditures with Public Safety at 19.5 percent.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Brian S. Thrower, City Manager, or Sheila J. Cutrell, Finance Director, City of Emporia, Virginia, 201 South Main Street, Emporia, Virginia 23847, telephone 434-634-3332, or visit the City's web site at [www.ci.emporia.va.us](http://www.ci.emporia.va.us).

# BASIC FINANCIAL STATEMENTS



**City of Emporia, Virginia**

Statement of Net Assets

At June 30, 2009

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,844,531	\$ 468,086	\$ 4,312,617
Receivables, net	486,206	200,966	687,172
Due from other governments	49,873	-	49,873
Other assets	29,595	151,582	181,177
Encumbrances outstanding	2,030	-	2,030
<b>Capital Assets</b>			
Land	1,626,975	102,471	1,729,446
Other capital assets, net of accumulated depreciation	15,462,901	10,689,046	26,151,947
Capital Assets, Net	<u>17,089,876</u>	<u>10,791,517</u>	<u>27,881,393</u>
 Total Assets	 <u>\$ 21,502,111</u>	 <u>\$ 11,612,151</u>	 <u>\$ 33,114,262</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 556,967	\$ 107,952	\$ 664,919
Accrued interest payable	42,760	77,077	119,837
Customer deposits	-	174,701	174,701
Compensated absences	283,599	97,390	380,989
Deferred revenue	368,611	-	368,611
<b>Long-Term Liabilities</b>			
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	469,101	394,487	863,588
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	<u>3,653,175</u>	<u>10,218,470</u>	<u>13,871,645</u>
 Total Liabilities	 5,374,213	 11,070,077	 16,444,290
<b>Net Assets</b>			
Invested in capital assets, net of related debt	11,896,749	234,002	12,130,751
Restricted for encumbrances	2,030	-	2,030
Unrestricted	<u>4,229,119</u>	<u>308,072</u>	<u>4,537,191</u>
 Total Net Assets	 <u>16,127,898</u>	 <u>542,074</u>	 <u>16,669,972</u>
 Total Liabilities and Net Assets	 <u>\$ 21,502,111</u>	 <u>\$ 11,612,151</u>	 <u>\$ 33,114,262</u>

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

**City of Emporia, Virginia**  
Statement of Activities  
For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General government administration	\$ 1,750,190	\$ 51,995	\$ 2,944,628	\$ -	\$ 1,246,433	\$ -	\$ 1,246,433
Judicial administration	2,094,281	884,333	-	-	(1,209,948)	-	(1,209,948)
Public safety	3,409,039	120,442	-	-	(3,288,597)	-	(3,288,597)
Public works	2,668,128	465,046	-	-	(2,203,082)	-	(2,203,082)
Health and welfare	548,429	-	-	-	(548,429)	-	(548,429)
Education	4,456,431	-	-	-	(4,456,431)	-	(4,456,431)
Parks, recreation, and cultural	231,861	-	-	-	(231,861)	-	(231,861)
Community development	954,143	-	4,609	-	(949,534)	-	(949,534)
Interest on long-term debt	172,012	-	-	-	(172,012)	-	(172,012)
Total Governmental Activities	16,284,514	1,521,816	2,949,237	-	(11,813,461)	-	(11,813,461)
<b>Business-Type Activities</b>							
Water and Sewer Fund	2,498,551	2,599,535	-	-	-	100,984	100,984
Total Business-Type Activities	2,498,551	2,599,535	-	-	-	100,984	100,984
Total Primary Government	\$ 18,783,065	\$ 4,121,351	\$ 2,949,237	\$ -	(11,813,461)	100,984	(11,712,477)
<b>General Revenues</b>							
<b>Taxes</b>							
General property taxes, real and personal					4,182,006	-	4,182,006
Other local taxes					5,331,261	-	5,331,261
Noncategorical aid from state					594,515	-	594,515
Use of property					22,011	-	22,011
Investment earnings					95,016	10,609	105,625
Miscellaneous					886,493	-	886,493
Total General Revenues					11,111,302	10,609	11,121,911
Change in Net Assets					(702,159)	111,593	(590,566)
Net Assets - Beginning of Year					16,852,050	430,481	17,282,531
Change in Reserve for Encumbrances					(21,993)	-	(21,993)
Net Assets - End of Year					\$ 16,127,898	\$ 542,074	\$ 16,669,972

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

City of Emporia, Virginia

Balance Sheet

Governmental Funds

At June 30, 2009

	<u>General Fund</u>	<u>Housing Authority Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and investments	\$ 3,654,820	\$ 189,711	\$ 3,844,531
Property taxes receivable, net	113,827	-	113,827
Accounts receivable	372,379	-	372,379
Due from other governments	49,873	-	49,873
Other assets	29,595	-	29,595
Encumbrances outstanding	<u>2,030</u>	<u>-</u>	<u>2,030</u>
Total Assets	<u>\$ 4,222,524</u>	<u>\$ 189,711</u>	<u>\$ 4,412,235</u>
<b>Liabilities</b>			
Accounts payable	\$ 204,902	\$ 17	\$ 204,919
Accrued liabilities	352,048	-	352,048
Deferred revenue	<u>368,611</u>	<u>-</u>	<u>368,611</u>
Total Liabilities	925,561	17	925,578
<b>Fund Balance</b>			
<b>Designated</b>			
Reserved for encumbrances	2,030	-	2,030
<b>Unreserved/Undesignated</b>			
	<u>3,294,933</u>	<u>189,694</u>	<u>3,484,627</u>
Total Fund Balance	<u>3,296,963</u>	<u>189,694</u>	<u>3,486,657</u>
Total Liabilities and Fund Balance	<u>\$ 4,222,524</u>	<u>\$ 189,711</u>	<u>\$ 4,412,235</u>

The accompanying notes to 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 Assets

At June 30, 2009

Total Fund Balances for Governmental Funds		\$ 3,486,657
Total net assets reported for governmental activities in the Statement of Net Assets 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	\$ 1,626,975	
Buildings and improvements, net of accumulated depreciation	3,518,413	
Furniture, equipment, and vehicles, net of accumulated depreciation	5,152,003	
Infrastructure, net of accumulated depreciation	<u>6,792,485</u>	
Total Capital Assets		17,089,876
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 assets are as follows:		
Bonds and notes payable	(4,122,276)	
Accrued interest payable	(42,760)	
Compensated absences	<u>(283,599)</u>	
Total		<u>(4,448,635)</u>
Total Net Assets of Governmental Activities		<u>\$ 16,127,898</u>

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

**City of Emporia, Virginia**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2009

	<u>General Fund</u>	<u>Housing Authority Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property taxes	\$ 4,182,006	\$ -	\$ 4,182,006
Other local taxes	5,331,261	-	5,331,261
Permits, privilege fees, and regulatory licenses	51,995	-	51,995
Fines and forfeitures	884,333	-	884,333
Use of money and property	111,827	5,200	117,027
Charges for services	585,488	-	585,488
Miscellaneous	496,665	-	496,665
Recovered costs	389,828	-	389,828
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	3,435,642	4,609	3,440,251
Revenue from the Federal Government	<u>103,501</u>	<u>-</u>	<u>103,501</u>
Total Revenues	15,572,546	9,809	15,582,355
<b>Expenditures</b>			
<b>Current</b>			
General government administration	1,402,637	-	1,402,637
Judicial administration	2,094,281	-	2,094,281
Public safety	3,318,115	-	3,318,115
Public works	2,275,287	-	2,275,287
Health and welfare	548,429	-	548,429
Education - public school system	4,456,431	-	4,456,431
Parks, recreation, and cultural	231,861	-	231,861
Community development	952,969	1,174	954,143
Debt service	<u>550,173</u>	<u>-</u>	<u>550,173</u>
Total Expenditures	<u>15,830,183</u>	<u>1,174</u>	<u>15,831,357</u>
Excess (Deficiency) of Revenues Over Expenditures	(257,637)	8,635	(249,002)
<b>Other Financing Sources (Uses)</b>			
Proceeds of notes	<u>140,000</u>	<u>-</u>	<u>140,000</u>
Total Other Financing Sources (Uses)	<u>140,000</u>	<u>-</u>	<u>140,000</u>
Net Change in Fund Balance	(117,637)	8,635	(109,002)
Fund Balance - Beginning of Year	3,436,593	181,059	3,617,652
Change in Encumbrances	<u>(21,993)</u>	<u>-</u>	<u>(21,993)</u>
Fund Balance - End of Year	<u>\$ 3,296,963</u>	<u>\$ 189,694</u>	<u>\$ 3,486,657</u>

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

**City of Emporia, Virginia**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds		\$ (109,002)
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(898,982)
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 Assets, 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 Assets.		
Debt issued	\$ (140,000)	
Repayments on debt	<u>478,149</u>	
Net Adjustment		338,149
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	(31,187)	
Interest payable	<u>(1,137)</u>	
Net Adjustment		<u>(32,324)</u>
Change in Net Assets of Governmental Activities		<u>\$ (702,159)</u>

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

**City of Emporia, Virginia**

Statement of Net Assets

Proprietary Funds

At June 30, 2009

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

**Assets**

**Current Assets**

Cash and investments	\$	468,086
Receivables, net		200,966
Total Current Assets		669,052

**Noncurrent Assets**

Unamortized bond issue costs		151,582
Capital assets, net		10,791,517
Total Noncurrent Assets		10,943,099
Total Assets	\$	11,612,151

**Liabilities**

**Current Liabilities**

Accounts payable	\$	107,952
Accrued expenses		77,077
Short-term portion of debt		394,487
Total Current Liabilities		579,516

**Noncurrent Liabilities**

Compensated absences		97,390
Customer deposits		174,701
Long-term debt		10,218,470
Total Noncurrent Liabilities		10,490,561
Total Liabilities		11,070,077

**Net Assets**

Invested in capital assets, net of related debt		234,002
Unrestricted		308,072
Total Net Assets		542,074
Total Liabilities and Net Assets	\$	11,612,151

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

**City of Emporia, Virginia**

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

Year Ended June 30, 2009

	<b>Business-Type Activities - Enterprise Fund Water and Sewer Fund</b>
<b>Operating Revenues</b>	
Charges for services, net	\$ 2,388,835
Penalties income	69,696
Miscellaneous	<u>141,004</u>
Total Operating Revenues	2,599,535
<b>Operating Expenses</b>	
Personal services and benefits	1,036,534
Maintenance, supplies, and vehicle expenses	216,453
Utilities	192,132
Chemicals	92,970
Depreciation	387,201
Other charges	<u>161,903</u>
Total Operating Expenses	<u>2,087,193</u>
Operating Income	512,342
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	10,609
Interest expense	<u>(411,358)</u>
Total Nonoperating Revenues (Expenses)	<u>(400,749)</u>
Income Before Operating Transfers	<u>111,593</u>
Change in Net Assets	111,593
Total Net Assets - Beginning of Year	<u>430,481</u>
Total Net Assets - End of Year	<u><u>\$ 542,074</u></u>

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

**City of Emporia, Virginia**

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2009

	<b>Business-Type Activities - Enterprise Fund Water and Sewer Fund</b>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 2,344,130
Other receipts	210,700
Payments to personnel and suppliers	<u>(1,698,610)</u>
Net Cash Provided by Operating Activities	856,220
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases and construction of capital assets	(104,616)
Principal paid on capital debt	(381,243)
Interest paid on capital debt	<u>(411,358)</u>
Net Cash Used in Capital and Related Financing Activities	(897,217)
<b>Cash Flows from Investing Activities</b>	
Interest income	<u>10,609</u>
Net Decrease in Cash and Cash Equivalents	(30,388)
Cash and Cash Equivalents - Beginning of Year	<u>498,474</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 468,086</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating income	\$ 512,342
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	387,201
Amortization expense	12,646
Changes in assets and liabilities	
Receivables, net	(44,705)
Accounts payable and accrued expenses	(21,757)
Compensated absences	2,821
Customer deposits	<u>7,672</u>
Net Cash Provided by Operating Activities	<u><u>\$ 856,220</u></u>

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

## City of Emporia, Virginia

### Notes to Financial Statements

Year Ended June 30, 2009

## 1 Summary of Significant Accounting Policies

### **Narrative Profile**

The City of Emporia, Virginia (the “City”) has a population of approximately 5,700 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 of Emporia, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government’s accounting policies are described below.

### **A. The Financial Reporting Entity**

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “Reporting Model” statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports.

GASB Statement No. 34 established requirements and a reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

- Management’s Discussion and Analysis: GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.
- Government-wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

- Statement of Net Assets: The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.
- Statement of Program Activities: The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
- 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.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. 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. The City has no component units at this time.

## Inclusions in the Reporting Entity

### Blended Component Units

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

## Exclusions from the Reporting Entity

### Jointly Governed Organizations

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

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

### *Greensville County School Board*

The Greensville County School Board provides educational services to the City of Emporia, Virginia and the County of Greensville, Virginia. The two localities provide annual contributions for operations and capital improvements based upon an agreed-upon shared services agreement. The City appoints two representatives to a six-member School Board, with the remaining representatives coming from the County of Greensville, Virginia. The City appropriated to the School Board \$4,234,148 during fiscal year 2009.

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

The Greensville-Emporia Department of Social Services provides social services to the residents of the City of Emporia, Virginia and the County of Greensville, Virginia. The County of Greensville, Virginia reports the entity as a discretely presented component unit due to its financial accountability and a majority representation on the governing body of the Department. The City appropriated \$77,994 during fiscal year 2009 to the Department.

### *Southside Regional Jail Authority*

The Southside Regional Jail Authority was created by the participating localities of the City of Emporia, Virginia and the County of Greensville, Virginia in May 1995. The jail is considered a jointly governed organization of the localities with each locality equally represented on the Board of the Authority. The City appropriated \$610,121 during fiscal year 2009 to the Authority for services rendered.

## **B. Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the fund financial statements). The focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the Fiduciary Funds (by category). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Proprietary Fund operating revenues consist of charges for services and related revenues. Non-operating revenues consist of contributions, grants, investment earnings, and other revenues not directly derived from the providing of services.

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 fund statements are presented on a current financial resource and modified accrual basis of accounting.

This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The City's Fiduciary Fund is presented in the fund financial statements by type (agency). Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the City in fiscal year 2009:

1. *Governmental Funds*

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income

determination as would apply to a commercial enterprise. The individual Governmental Funds are:

- a. 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. The General Fund is considered a major fund for financial reporting purposes.
- b. 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 because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the Emporia Redevelopment and Housing Authority Fund.
- c. Debt Service Funds – The City does not account for its debt service in a separate fund. The debt is paid from either the General Fund or the Capital Projects Fund.
- d. Capital Projects Funds – Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. The City has no Capital Projects Funds at this time.

2. *Proprietary Funds*

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise and Internal Service Funds.

- a. Enterprise Funds – Enterprise Funds account 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. The Enterprise Fund consists of the Water and Sewer Fund.
- b. Internal Service Funds – Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City government on a cost-reimbursement basis. Internal Service Funds are not used by the City at this time.

3. *Fiduciary Funds (Trust and Agency Funds)*

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds.

The funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency Funds utilize the modified accrual basis of accounting described in the Governmental Funds presentation. The Private Purpose Trust and Agency Funds consist of the following:

- a. Private Purpose Trust Funds – The City has no Private Purpose Trust Funds at this time.
- b. Agency Funds – The City has no Agency Funds at this time.

### **C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the Governmental Funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statements of Net Assets and Statements of Activities and the Proprietary Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Assets or on the Statement of Fiduciary Net Assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The fund financial statements of the General, Special Revenue, Capital Projects, and Agency Funds (for the primary government) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

### **D. 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.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in

accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

### *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General, Capital Projects, and Water and Sewer Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

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

1. Prior to April 1, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments. Work sessions among the City Council are conducted on the budget.
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, function, and departmental level. The appropriation for each fund, function, and department can be revised only by the City Council.
5. The City legally adopted budgets for the General Fund.  
  
The City may adopt budgets for other funds, such as the Agency Funds, for use as a management control device over such funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30 for all City funds.
8. All budget data presented in the accompanying financial statements is the original budget as of June 30, 2009, as adopted, appropriated, and legally amended.

### **E. Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by Council designation or other arrangements under trust agreements with third-party payers.

**F. Investments**

Investments, consisting of certificates of deposit and U. S. Government Securities, are stated at cost, which approximates market. These investments are reported in the accompanying financial statements as cash and cash equivalents.

**G. Allowance for Uncollectible Accounts**

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. Using these methods, the allowance amounted to approximately \$281,962 at June 30, 2009 and is composed of the following:

General Fund - taxes receivable	\$ 43,760
General Fund - accounts receivable	238,202

**H. Capital Assets**

Capital outlays are recorded as expenditures of the Governmental Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold of \$5,000 is met.

Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	25 to 50 years
Furniture and other equipment	3 to 10 years
Vehicles	5 to 15 years
Infrastructure	15 to 50 years

All fixed assets are valued at historical cost or estimated historical cost, if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The City does not capitalize historical treasures or works of art.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

**I. Compensated Absences**

The City accrues compensated absences (annual and sick leave benefits) when vested. The current portions of the Governmental and Water and Sewer Funds compensated absences liabilities are recorded as other liabilities in the Governmental and Water and Sewer Funds. The current and non-current portions are recorded in the government-wide financial statements.

**J. Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**K. 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.

**2 Cash and Investments**

***Deposits***

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia or covered by Federal Depository Insurance.

***Investments***

Statutes authorize local governments and other public bodies 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, and the State Treasurer's Local Government Investment Pool (LGIP).

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 pooled cash and investments at June 30, 2009:

	<b><u>Carrying Amount</u></b>
Total Deposits	\$4,311,517
Cash on Hand	<u>1,100</u>
All Cash - City	<u><u>\$4,312,617</u></u>

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2009:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,844,531	\$ 468,086	\$ 4,312,617

**Cash on Hand.** The City had cash on hand of \$1,100 that was included in cash and cash equivalents.

### 3 Property Taxes

Real property taxes are assessed on property values as of January 1 and attach as an enforceable lien on property as of the date levied by the City Council. Personal property taxes are assessed on a prorated basis for the period the property is located in the City and also attach as an enforceable lien on the property.

Real estate taxes are due December 5 and personal property taxes are due July 1.

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

Real estate taxes for calendar year 2008 were levied by the City Council in September 2008 on the assessed value listed as of January 1, 2008. Personal property taxes for calendar year 2008 were levied by the City Council in June 2008 on the assessed value listed as of January 1, 2008.

Real estate taxes for calendar year 2009 were levied by the City Council in September 2009 on the assessed value listed as of January 1, 2009. Personal property taxes for calendar year 2009 were levied by the City Council in June 2009 on the assessed value listed as of January 1, 2009.

Property taxes levied in the current and prior year have been recorded as receivables as of the date the City has the legal right to receive payments thereon. The receivables collected during the fiscal year and during the first 45 days of the succeeding fiscal year are recognized as revenues in the current fiscal year. Taxes receivable as of the end of the year (June 30) and not collected until the succeeding year are reported as deferred revenues.

### 4 Receivables

Receivables at June 30, 2009 consist of the following:

**Governmental Activities**

	<b><u>General</u></b>	<b><u>Capital Projects</u></b>	<b><u>Total</u></b>	<b><u>Business-Type Activities</u></b>
Property taxes	\$ 157,587	\$ -	\$ 157,587	\$ -
Utility taxes	31,653	-	31,653	-
Sanitation fees	39,639	-	39,639	-
Meals and lodging taxes	194,251	-	194,251	-
Court fines	85,952	-	85,952	-
Other	256,558	-	256,558	3,197
Water and sewer	3	-	3	363,065
Local organizations	2,525	-	2,525	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	768,168	-	768,168	366,262
Allowance for uncollectibles	(281,962)	-	(281,962)	(165,295)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Receivables	\$ 486,206	\$ -	\$ 486,206	\$ 200,966

**5** Due from Other Governmental Units

**Governmental Activities**

	<b><u>General</u></b>	<b><u>Capital Projects</u></b>	<b><u>Total</u></b>
<b>County of Greenville, Virginia</b>			
School Board - Education	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>
Total County of Greenville, Virginia	-	-	-
<b>Commonwealth of Virginia</b>	49,873	-	49,873
	<hr/>	<hr/>	<hr/>
Total	\$ 49,873	\$ -	\$ 49,873

**6** Interfund Balances and Activity

Balance due to/from other funds at June 30, 2009:

<b><u>Interfund Obligations</u></b>	<b><u>Interfund Receivable</u></b>	<b><u>Interfund Payable</u></b>
General Fund	\$ 3	\$ -
Utility Fund	-	3

## 7 Capital Assets

### Governmental Activities

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 1,626,975	\$ -	\$ -	\$ 1,626,975
Total Capital Assets Not Being Depreciated	1,626,975	-	-	1,626,975
<b>Other Capital Assets</b>				
Buildings and improvements	5,285,328	38,500	-	5,323,828
Infrastructure	16,513,036	11,500	-	16,524,536
Furniture, equipment, and vehicles	4,549,340	218,420	-	4,767,760
Total Other Capital Assets	26,347,704	268,420	-	26,616,124
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	1,674,212	131,203	-	1,805,415
School buildings and improvements	9,072,729	659,322	-	9,732,051
Furniture, equipment, and vehicles	(761,120)	376,877	-	(384,243)
Total Accumulated Depreciation	9,985,821	1,167,402	-	11,153,223
Other Capital Assets, Net	16,361,883	(898,982)	-	15,462,901
Net Capital Assets	\$ 17,988,858	\$ (898,982)	\$ -	\$ 17,089,876

### Depreciation Expense was Allocated to

General government administration	\$ 320,879
Public safety	262,284
Public works	584,239
Total	\$ 1,167,402

## Business-Type Activities

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 102,471	\$ -	\$ -	\$ 102,471
Total Capital Assets Not Being Depreciated	102,471	-	-	102,471
<b>Other Capital Assets</b>				
Buildings and systems	17,254,309	-	-	17,254,309
Furniture, equipment, and vehicles	958,247	104,616	-	1,062,863
Total Other Capital Assets	18,212,556	104,616	-	18,317,172
<b>Less: Accumulated depreciation for</b>				
Buildings and systems	6,447,053	349,495	-	6,796,548
Furniture, equipment, and vehicles	793,872	37,706	-	831,578
Total Accumulated Depreciation	7,240,925	387,201	-	7,628,126
Other Capital Assets, Net	10,971,631	(282,585)	-	10,689,046
Net Capital Assets	\$ 11,074,102	\$ (282,585)	\$ -	\$ 10,791,517
Depreciation expense was allocated to water and sewer		\$ 387,201		

## 8 Long-Term Debt

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

Year(s) Ended June 30,	Governmental Activities General Bonds Payable		Business-Type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 469,438	\$ 158,916	\$ 394,150	\$ 411,899
2011	361,066	137,431	324,774	395,237
2012	260,844	12,767	289,500	382,007
2013	232,865	112,466	286,664	370,981
2014	241,392	104,334	295,133	359,988
2015-2019	802,389	414,747	1,604,695	1,622,178
2020-2024	431,230	314,041	2,887,616	1,103,622
2025-2029	485,224	226,882	1,906,874	1,906,874
2030 and thereafter	837,828	136,389	2,623,551	369,652
Compensated absences	283,599	-	97,390	-
Total	\$ 4,405,875	\$ 1,617,973	\$ 10,710,347	\$ 6,922,438

**Changes in Long-Term Debt**

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

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2009:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
<b>Primary Government</b>					
<b>Governmental Activities</b>					
<b>General Fund</b>					
General Obligation Bond, Series 2003B, with Community National Bank, authorized \$626,200, issued May 2003, with interest at 2.49 percent, payable semi-annually on May 1 and November 1, and annual principal payments ranging from \$83,000 in May 2004 to \$96,200 in May 2010.	\$ 190,000	\$ -	\$ 93,800	\$ 96,200	\$ 96,200
General Obligation Refunding Bond, Series 2006 with Community National Bank, principal amount of \$7,560,000, issued June 15, 2006, with interest at 4.00 percent, subject to be reset in future years, interest due and payable in semi-annual installments on May 1 and November 1, commencing November 1, 2006. Principal shall be due and payable in annual installments on May 1 of each year, commencing May 1, 2007 through and including the maturity date of May 1, 2036. (General Fund Portion)	2,298,038	-	45,991	2,252,047	47,831
Capital lease with First Citizens Bank, \$375,000 payable \$6,683 monthly through January 2009, including interest at 2.68 percent.	43,915	-	43,915	-	-
General Obligation Public Improvement Bond, Series 2004B, with SunTrust Bank, principal amount of \$455,000, issued October 21, 2004, with interest at 3.64 percent due and payable in semi-annual installments on January 15 and July 15 commencing January 15, 2005 through and including the maturity date. Payments of principal will be due and payable in annual installments on July 15 of each year, commencing July 15, 2005 through and including the maturity date.	354,500	-	38,500	316,000	39,900

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Refunding Bond, Series 2004A, with SunTrust Bank, principal amount of \$1,770,700, issued October 21, 2004, with interest at 3.21 percent due and payable in semi-annual installments on January 15 and July 15 commencing January 15, 2005 through and including the maturity date. Payments of principal will be due and payable in annual installments on July 15 of each year, commencing July 15, 2005 through and including the maturity date. (General Fund Portion)	1,207,820	-	136,141	<b>1,071,679</b>	138,334
Note payable to the Virginia Retirement System for prior years of unreported creditable compensation for thirteen employees, principal amount of \$440,172, with interest at 7.5 percent, payments due and payable in annual installments of \$100,852, (interest included) through June 30, 2011. (General Fund Portion)	262,267	-	81,181	<b>181,086</b>	87,270
Capital lease with Branch Banking and Trust Company for the purchase of three police cars, principal of \$69,100, payable \$1,715 monthly through December 15, 2009, including interest at 4.08 percent.	29,889	-	19,722	<b>10,167</b>	10,167
General Obligation Refunding Bond, Series 2008, with SunTrust Bank, principal amount of \$3,905,254 issued April 23, 2008 with interest at 3.85 percent due and payable in semi-annual installments on December 15 and June 15 commencing June 15, 2008 through and including the maturity date. Payments of principal will be due and payable in annual installments on June 15 of each year, commencing June 15, 2008 through and including the maturity date. (General Fund Portion)	73,996	-	3,932	<b>70,064</b>	3,745
Capital lease with Carter, Bank & Trust; principal amount of \$140,000, entered into on February 19, 2009 with interest at 3.25 percent due and payable in monthly installments commencing March 15, 2009 and continuing to maturity on February 15, 2012	-	140,000	14,967	<b>125,033</b>	45,654
Compensated Absences - General Fund	<u>252,412</u>	<u>31,187</u>	<u>-</u>	<b><u>283,599</u></b>	
Total Governmental Activities	4,712,837	171,187	478,149	<b>4,405,875</b>	469,101

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
<b>Business-Type Activities</b>					
General Obligation Refunding Bond, Series 2004A, w ith SunTrust Bank, principal amount of \$1,770,700, issued October 21, 2004, w ith interest at 3.21 percent due and payable in semi-annual installments on January 15 and July 15 commencing January 15, 2005 through and including the maturity date. Payments of principal w ill be due and payable in annual installments on July 15 of each year, commencing July 15, 2005 through and including the maturity date. (Utility Fund Portion)	114,080	-	12,859	<b>101,221</b>	13,066
General Obligation Public Improvement Bond, Series 2004B, w ith SunTrust Bank, principal amount of \$1,950,880, issued October 21, 2004, w ith interest at 3.64 percent due and payable in semi-annual installments on January 15 and July 15 commencing January 15, 2005 through and including the maturity date. Payments of principal w ill be due and payable in annual installments on July 15 of each year, commencing July 15, 2005 through and including the maturity date.	1,864,000	-	41,300	<b>1,822,700</b>	42,900
General Obligation Refunding Bond, Series 2006 w ith Community National Bank, principal amount of \$7,560,000, issued June 15, 2006, w ith interest at 4.00 percent, subject to be reset in future years, interest due and payable in semi-annual installments on May 1 and November 1, commencing November 1, 2006. Principal shall be due and payable in annual installments on May 1 of each year, commencing May 1, 2007 through and including the maturity date of May 1, 2036. (Utility Fund Portion)	5,086,464	-	101,795	<b>4,984,669</b>	105,867
Note payable to the Virginia Retirement System for prior years of unreported creditable compensation for thirteen employees, principal amount of \$498,299, w ith interest at 7.5 percent, payments due and payable in annual installments of \$114,857, (interest included) through June 30, 2011. (Enterprise Fund Portion)	80,297	-	24,855	<b>55,442</b>	26,719
Capital lease w ith First Citizens Bank, \$375,000 payable \$6,683 monthly through January 2009, including interest at 2.68 percent. (Utility Fund Portion)	2,448	-	2,448	-	-
Note payable w ith First Citizens Bank, \$72,440 payable \$1,339 monthly through August 2012, including interest at 4.16 percent.	61,387	-	13,779	<b>47,608</b>	14,363

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Refunding Bond, Series 2008, w with SunTrust Bank, principal amount of \$3,905,254 issued April 23,2008 w ith interest at 3.85 percent due and payable in semi-annual installments on December 15 and June 15 commencing June 15, 2008 through and including the maturity date. Payments of principal w ill be due and payable in annual installments on June 15 of each year, commencing June 15, 2008 through and including the maturity date. (General Fund Portion)	3,785,524	-	184,207	<b>3,601,317</b>	191,572
Compensated Absences - Enterprise Fund	<u>94,569</u>	<u>2,821</u>	<u>-</u>	<u><b>97,390</b></u>	<u>-</u>
Total Business-Type Activities	<u>11,088,769</u>	<u>2,821</u>	<u>381,243</u>	<u><b>10,710,347</b></u>	<u>394,487</u>
Total Primary Government	<u>\$ 15,801,606</u>	<u>\$ 174,008</u>	<u>\$ 859,392</u>	<u><b>\$ 15,116,222</b></u>	<u>\$ 863,588</u>

## 9 Claims, Judgments, and Compensated Absences

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the City has accrued the liability arising from outstanding claims, judgments, and compensated absences. Each City employee earns vacation at the rate of 10 days per year. Sick leave is earned at the rate of one day per month. A maximum of 180 accumulated days of sick leave and 90 accumulated days of vacation may be carried from one year to the next. Accrued sick leave may be paid if not used prior to termination at a rate of 10 percent of time left to a maximum of 800 hours. Accrued vacation may be paid if not used prior to termination. The City has outstanding compensated absences totaling \$283,599 in the governmental activities. The balance in the business-type activities is \$97,390.

## 10 Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred revenue totaling \$450,378 is comprised of the following:

Property taxes	\$ 347,791
Vehicle licenses	<u>20,820</u>
Total Deferred Revenue	<u><u>\$ 368,611</u></u>

## 11 Contingent Liabilities (Including Federally Assisted Programs - Compliance Audits)

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

At June 30, 2009, there were no matters of litigation involving the City which would materially affect the City's financial position should any court decision or pending matter not be favorable to the City.

## 12 Defined Benefit Pension Plan

### A. *Plan Description*

<b><i>Name of Plan:</i></b>	Virginia Retirement System (VRS)
<b><i>Identification of Plan:</i></b>	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
<b><i>Administering Entity:</i></b>	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2008AnnuRept.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

### B. *Funding Policy*

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2009 was 14.98% of annual covered payroll.

### C. *Annual Pension Cost*

For fiscal year 2009, the City's annual pension cost of \$744,398 was equal to the City's required and actual contributions.

### Three-Year Trend Information for City

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2007	\$ 592,341	100.0%	\$ -
June 30, 2008	634,840	100.0%	-
<b>June 30, 2009</b>	<b>744,398</b>	<b>100.0%</b>	<b>-</b>

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

#### **D. Funded Status and Funding Progress**

As of June 30, 2008, the most recent actuarial valuation date, the plan, was 89.18% funded. The actuarial accrued liability for benefits was \$17,494,875, and the actuarial value of assets was \$15,601,372, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,893,503. The covered payroll (annual payroll of active employees covered by the plan) was \$4,054,422, and the ratio of the UAAL to the covered payroll was 46.7%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

#### REQUIRED SUPPLEMENTARY INFORMATION

##### Schedule of Funding Progress for City

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2006	\$12,119,767	\$ 14,032,416	\$ 1,912,649	86.37%	\$3,791,937	50.44%
June 30, 2007	13,961,105	15,919,660	1,958,555	87.70%	3,854,715	50.81%
<b>June 30, 2008</b>	<b>15,601,372</b>	<b>17,494,875</b>	<b>1,893,503</b>	<b>89.18%</b>	<b>4,054,422</b>	<b>46.70%</b>

**E. Notes to Required Supplementary Information**

This information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent, Open
Payroll Growth Rate	3.00%
Remaining Amortization Period	20 years
Asset Valuation Method	Five-Year Smoothed Market Value
Actuarial Assumptions	
Investment rate of return <sup>1</sup>	7.50%
Projected salary increases <sup>1</sup>	
NonLaw Enforcement Officer Employees	3.75% to 5.60%
Law Enforcement Officer Employees	3.50% to 4.75%
Cost-of-living adjustments	2.50%

<sup>1</sup>Includes inflation of 2.50%.

**13 Legal Compliance**

- A. Expenditures in Excess of Appropriations  
No funds had excess expenditures.
- B. Fund Deficits  
No funds had fund deficits.

**14 Surety Bond Information**

The following constitutional officers are insured through the Commonwealth of Virginia, Department of the Treasury, and Division of Risk Management in effect at June 30, 2009:

W. S. Harris, Jr., Treasurer	\$500,000
Joyce E. Prince, Commissioner of Revenue	3,000
Sam C. Brown, City Sheriff	30,000

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

# REQUIRED SUPPLEMENTARY INFORMATION



City of Emporia, Virginia

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
<b>General Property Taxes</b>				
Real property taxes	\$ 2,638,732	\$ 2,638,732	2,518,816	\$ (119,916)
Personal property taxes	1,150,000	1,150,000	1,130,918	(19,082)
Public service corporation property taxes	145,000	145,000	144,057	(943)
Delinquent taxes	45,000	45,000	308,190	263,190
Penalties and interest on taxes	62,000	62,000	80,025	18,025
Total General Property Taxes	<u>4,040,732</u>	<u>4,040,732</u>	<u>4,182,006</u>	<u>141,274</u>
<b>Other Local Taxes</b>				
Local sales and use taxes	1,540,171	1,540,171	1,464,995	(75,176)
Consumers' utility taxes	450,000	450,000	405,237	(44,763)
Business license taxes	723,000	723,000	767,903	44,903
Motor vehicle licenses	70,000	70,000	64,489	(5,511)
Bank stock taxes	95,000	95,000	131,521	36,521
Tax on recordation and wills	51,000	51,000	27,446	(23,554)
Lodging taxes	750,000	750,000	675,691	(74,309)
Meals taxes	1,466,000	1,466,000	1,506,918	40,918
Emergency 911 taxes	360,000	300,000	287,061	(12,939)
Total Other Local Taxes	<u>5,505,171</u>	<u>5,445,171</u>	<u>5,331,261</u>	<u>(113,910)</u>
<b>Permits, Privilege Fees, and Regulatory Licenses</b>				
Animal licenses	2,000	2,000	2,372	372
Planning and zoning	4,400	4,400	4,170	(230)
Building permits	35,000	35,000	44,878	9,878
Other permits, licenses, and fees	500	500	575	75
Total Permits, Privilege Fees, and Regulatory Licenses	<u>41,900</u>	<u>41,900</u>	<u>51,995</u>	<u>10,095</u>
<b>Fines and Forfeitures</b>	960,150	960,150	884,333	(75,817)
<b>Revenue from Use of Money and Property</b>				
Revenue from use of money	75,000	75,000	89,816	14,816
Revenue from use of property	4,500	16,600	22,011	5,411
Total Revenue from Use of Money and Property	<u>79,500</u>	<u>91,600</u>	<u>111,827</u>	<u>20,227</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Charges for Services</b>				
Charges for fire services	140,000	155,161	120,442	(34,719)
Charges for sanitation and waste removal	498,000	498,000	465,046	(32,954)
Total Charges for Services	<u>638,000</u>	<u>653,161</u>	<u>585,488</u>	<u>(67,673)</u>
<b>Recovered Costs</b>				
From Greensville County, Virginia	156,900	156,900	169,564	12,664
Insurance refunds	5,000	5,000	803	(4,197)
Other recovered costs	223,086	223,086	219,461	(3,625)
Total Recovered Costs	<u>384,986</u>	<u>384,986</u>	<u>389,828</u>	<u>4,842</u>
<b>Miscellaneous</b>				
Total Miscellaneous	<u>512,051</u>	<u>618,498</u>	<u>496,665</u>	<u>(121,833)</u>
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Auto rental taxes	200	200	2,139	1,939
Rolling stock taxes - motor vehicle carriers tax	-	-	10,195	10,195
Personal Property Tax Relief	570,319	570,319	570,320	1
Recordation and grantors' tax - State	8,191	8,191	11,861	3,670
Total Noncategorical Aid	<u>578,710</u>	<u>578,710</u>	<u>594,515</u>	<u>15,805</u>
<i>Categorical Aid</i>				
Shared Expenses				
Sheriff	143,556	143,556	154,993	11,437
Commissioner of the Revenue	76,219	76,219	81,570	5,351
Treasurer	80,353	80,353	86,051	5,698
Registrar/Electoral Board	35,386	35,386	35,319	(67)
Law enforcement grants	234,324	234,324	225,132	(9,192)
State sales tax - education	943,315	943,315	874,349	(68,966)
Street and highway maintenance	886,616	886,616	919,549	32,933
Family violence prevention	55,221	86,040	99,090	13,050
Virginia Juvenile Community Crime Control	122,576	127,892	133,439	5,547
Criminal justice service - Victim Witness	51,067	51,067	64,647	13,580
Other State funds	260,410	384,697	166,988	(217,709)
Total Categorical Aid	<u>2,889,043</u>	<u>3,049,465</u>	<u>2,841,127</u>	<u>(208,338)</u>
Total Revenue from the Commonwealth of Virginia	3,467,753	3,628,175	3,435,642	(192,533)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenue from the Federal Government</b>				
Department of Health - Sexual Assault Grant	34,616	34,616	34,616	-
Other Federal funds	19,999	42,483	68,885	26,402
Total Revenue from the Federal Government	<u>54,615</u>	<u>77,099</u>	<u>103,501</u>	<u>26,402</u>
Total Intergovernmental Revenue	<u>3,522,368</u>	<u>3,705,274</u>	<u>3,539,143</u>	<u>(166,131)</u>
Total Revenues	15,684,858	15,941,472	15,572,546	(368,926)
<b>Expenditures</b>				
<b>Current</b>				
<i>General Government Administration</i>				
Legislative	168,410	165,390	165,125	265
City Manager	485,422	469,632	461,225	8,407
Personnel	-	7,328	7,326	2
Legal services	24,670	50,646	53,065	(2,419)
Commissioner of Revenue	210,565	203,150	201,128	2,022
Equalization Board	39,490	39,490	39,157	333
Treasurer	202,776	198,877	197,175	1,702
Director of Finance	183,967	182,867	182,938	(71)
Data processing	19,575	27,020	27,020	-
Board of Elections	66,486	68,136	68,478	(342)
Total General Government Administration	<u>1,401,361</u>	<u>1,412,536</u>	<u>1,402,637</u>	<u>9,899</u>
<i>Judicial Administration</i>				
Circuit Court - shared services	1,334,055	1,458,580	1,458,571	9
Juvenile and Domestic Relations Court	123,486	109,259	96,828	12,431
Sheriff	218,070	213,000	212,522	478
Family violence	89,837	120,656	126,685	(6,029)
Victim Witness Program	55,508	55,508	57,319	(1,811)
VJCCC Grant	136,493	136,809	142,356	(5,547)
Total Judicial Administration	<u>1,957,449</u>	<u>2,093,812</u>	<u>2,094,281</u>	<u>(469)</u>
<i>Public Safety</i>				
Police Department	2,585,795	2,789,323	2,799,110	(9,787)
Volunteer Fire Department	207,541	291,768	192,198	99,570
Ambulance and rescue service	40,882	42,006	42,006	-
Inspections - Building Inspector	164,692	155,559	154,026	1,533
Animal control	68,436	68,761	68,782	(21)
Emergency services	91,476	77,276	61,993	15,283
Total Public Safety	<u>3,158,822</u>	<u>3,424,693</u>	<u>3,318,115</u>	<u>106,578</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	872,511	789,973	791,886	(1,913)
Refuse collection	952,820	967,106	964,897	2,209
Engineering	109,902	106,810	107,093	(283)
City Shop	186,261	186,261	187,526	(1,265)
General buildings and grounds	<u>200,205</u>	<u>230,864</u>	<u>223,885</u>	<u>6,979</u>
Total Public Works	2,321,699	2,281,014	2,275,287	5,727
<i>Health and Welfare</i>				
Local health	6,567	6,567	6,567	-
Mental Health and Mental Retardation	39,471	39,471	39,471	-
Comprehensive services	109,601	109,601	143,539	(33,938)
Mosquito control	7,291	4,341	4,045	296
Welfare and social services	<u>293,416</u>	<u>286,101</u>	<u>354,807</u>	<u>(68,706)</u>
Total Health and Welfare	456,346	446,081	548,429	(102,348)
<i>Education</i>				
Superintendent	500	500	500	-
Contract services (shared costs)	4,235,452	4,234,148	4,454,453	(220,305)
Community Colleges	<u>1,478</u>	<u>1,478</u>	<u>1,478</u>	<u>-</u>
Total Education	4,237,430	4,236,126	4,456,431	(220,305)
<i>Parks, Recreation, and Cultural</i>				
Parks and recreation	136,229	138,541	139,326	(785)
Regional library	<u>92,535</u>	<u>92,535</u>	<u>92,535</u>	<u>-</u>
Total Parks, Recreation, and Cultural	228,764	231,076	231,861	(785)
<i>Community Development</i>				
Zoning Board	39,105	21,305	19,343	1,962
Economic development	1,144,315	1,081,214	835,803	245,411
Airport Commission	65,571	65,571	65,571	-
Cooperative Extension Program	<u>43,211</u>	<u>32,252</u>	<u>32,252</u>	<u>-</u>
Total Community Development	1,292,202	1,200,342	952,969	247,373
<i>Debt Service</i>				
	<u>713,560</u>	<u>698,567</u>	<u>550,173</u>	<u>148,394</u>
Total Expenditures	<u>15,767,633</u>	<u>16,024,247</u>	<u>15,830,183</u>	<u>194,064</u>
Excess (Deficiency) of Revenues Over Expenditures	(82,775)	(82,775)	(257,637)	(174,862)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of debt	<u>82,775</u>	<u>82,775</u>	<u>140,000</u>	<u>57,225</u>
Total Other Financing Sources (Uses)	<u>82,775</u>	<u>82,775</u>	<u>140,000</u>	<u>57,225</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(117,637)	<u>\$ (117,637)</u>
Fund Balance - Beginning of Year			3,436,593	
Change in Encumbrances			<u>(21,993)</u>	
Fund Balance - End of Year			<u>\$3,296,963</u>	

# COMPLIANCE SECTION





Partners

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the  
City Council  
City of Emporia, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Emporia, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the City of Emporia, Virginia's basic financial statements and have issued our report thereon dated March 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Emporia, Virginia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Emporia, Virginia's financial statements that is more than inconsequential will not be prevented or detected by the City of Emporia, Virginia's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Emporia, Virginia's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

This report is intended solely for the information and use of management, the audit committee, City Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

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

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

South Hill, Virginia  
March 10, 2010