

*City of Emporia, Virginia*  
*Comprehensive Annual Financial Report*  
*Year Ended June 30, 2010*



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

## City of Emporia, Virginia

### Table of Contents

Year Ended June 30, 2010

#### FINANCIAL SECTION

	Pages
Independent Auditor's Report	i-ii
Management's Discussion and Analysis	1-8

#### Basic Financial Statements

Exhibits

##### Government-Wide Financial Statements

1	Statement of Net Assets	9
2	Statement of Activities	10

##### Fund Financial Statements

3	Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	11-12
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13-14
5	Statement of Net Assets – Proprietary Funds	15
6	Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	16
7	Statement of Cash Flows – Proprietary Funds	17
	Notes to Financial Statements	18-41

#### Required Supplementary Information

Exhibit

8	Budgetary Comparison Schedule – General Fund	42-46
---	--	-------

#### COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47-48
---	-------

# FINANCIAL SECTION





**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Sherwood H. Creedle, CPA  
Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP*

*James A. Allen, Jr., CPA  
Nadine L. Chase, CPA  
Nadia A. Rogers, CPA  
Scott A. Thompson, CPA*

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

## 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 City of Emporia, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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, 2010, 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 December 28, 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 42 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Emporia, Virginia's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information, directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

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

South Hill, Virginia  
December 28, 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, 2010. 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 2010

#### Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$17,306,519. Of this amount, \$5,826,502 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 \$19,139,258 and expenses amounted to \$18,532,393. The City's total net assets increased \$636,547, after inclusion of changes in encumbrances and prior period adjustment.

#### Highlights for Fund Financial Statements

- As of June 30, 2010, the City Governmental Funds reported combined fund balances of \$3,951,708, an increase of \$465,051 in comparison with the prior year. Approximately 99.55 percent of the combined fund balances, \$3,933,958, 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, 2010 and 2009

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Assets</b>						
Current and other assets	\$ 5,146,889	\$ 4,412,235	\$ 1,404,526	\$ 820,634	\$ 6,551,415	\$ 5,232,869
Capital assets (net)	<u>16,353,996</u>	<u>17,089,876</u>	<u>10,459,985</u>	<u>10,791,517</u>	<u>26,813,981</u>	<u>27,881,393</u>
Total Assets	<u>\$21,500,885</u>	<u>\$ 21,502,111</u>	<u>\$11,864,511</u>	<u>\$ 11,612,151</u>	<u>\$33,365,396</u>	<u>\$ 33,114,262</u>
<b>Liabilities</b>						
Other liabilities	\$ 1,231,719	\$ 968,338	\$ 501,957	\$ 457,120	\$ 1,733,676	\$ 1,425,458
Long-term liabilities	<u>4,110,998</u>	<u>4,405,875</u>	<u>10,214,203</u>	<u>10,612,957</u>	<u>14,325,201</u>	<u>15,018,832</u>
Total Liabilities	<u>5,342,717</u>	<u>5,374,213</u>	<u>10,716,160</u>	<u>11,070,077</u>	<u>16,058,877</u>	<u>16,444,290</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	11,192,365	11,896,749	269,902	234,002	11,462,267	12,130,751
Reserved for encumbrances	17,750	2,030	-	-	17,750	2,030
Unrestricted	<u>4,948,053</u>	<u>4,229,119</u>	<u>878,449</u>	<u>308,072</u>	<u>5,826,502</u>	<u>4,537,191</u>
Total Net Assets	<u>16,158,168</u>	<u>16,127,898</u>	<u>1,148,351</u>	<u>542,074</u>	<u>17,306,519</u>	<u>16,669,972</u>
Total Liabilities and Net Assets	<u>\$21,500,885</u>	<u>\$ 21,502,111</u>	<u>\$11,864,511</u>	<u>\$ 11,612,151</u>	<u>\$33,365,396</u>	<u>\$ 33,114,262</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 \$17,306,519 at June 30, 2010. The largest portion of the reporting entity's net assets, \$11,462,267 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 5,826,502.

## Statement of Activities

The following table summarizes revenues and expenses for the City as of June 30, 2010:

### Summary of Changes in Net Assets

For the Fiscal Years Ended June 30, 2010 and 2009

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 1,846,435	\$ 1,521,816	\$ 3,040,257	\$ 2,458,531	\$ 4,886,692	\$ 3,980,347
Operating grants and contributions	2,975,720	2,949,237	-	-	2,975,720	2,949,237
<b>General Revenues</b>						
General property taxes, real and personal	4,433,227	4,182,006	-	-	4,433,227	4,182,006
Other taxes	5,484,332	5,331,261	-	-	5,484,332	5,331,261
Noncategorical aid from state	595,513	594,515	-	-	595,513	594,515
Use of property	6,301	22,011	-	-	6,301	22,011
Investment earnings	68,046	95,016	8,108	10,609	76,154	105,625
Miscellaneous	668,189	886,493	13,130	141,004	681,319	1,027,497
Total Revenues	<u>16,077,763</u>	<u>15,582,355</u>	<u>3,061,495</u>	<u>2,610,144</u>	<u>19,139,258</u>	<u>18,192,499</u>
<b>Expenses</b>						
General government administration	1,730,370	1,750,190	-	-	1,730,370	1,750,190
Judicial administration	2,205,907	2,094,281	-	-	2,205,907	2,094,281
Public safety	3,446,175	3,409,039	-	-	3,446,175	3,409,039
Public works	2,615,426	2,668,128	-	-	2,615,426	2,668,128
Health and welfare	678,382	548,429	-	-	678,382	548,429
Education	4,072,916	4,456,431	-	-	4,072,916	4,456,431
Parks, recreation, and cultural	223,086	231,861	-	-	223,086	231,861
Community development	953,120	954,143	-	-	953,120	954,143
Water and sewer	-	-	2,027,897	2,087,193	2,027,897	2,087,193
Interest on long-term debt	148,520	172,012	430,594	411,358	579,114	583,370
Total Expenses	<u>16,073,902</u>	<u>16,284,514</u>	<u>2,458,491</u>	<u>2,498,551</u>	<u>18,532,393</u>	<u>18,783,065</u>
Increase (Decrease) in Net Assets	3,861	(702,159)	603,004	111,593	606,865	(590,566)
Beginning Net Assets	16,127,898	16,852,050	542,074	430,481	16,669,972	17,282,531
Change in Reserve for Encumbrances	10,689	(21,993)	3,273	-	13,962	(21,993)
Prior Year Adjustment	15,720	-	-	-	15,720	-
Ending Net Assets	<u>\$ 16,158,168</u>	<u>\$ 16,127,898</u>	<u>\$ 1,148,351</u>	<u>\$ 542,074</u>	<u>\$ 17,306,519</u>	<u>\$ 16,669,972</u>

Governmental activities increased the City's net assets by \$3,861. Revenues from governmental activities totaled \$16,077,763. Other taxes comprise the largest source of these revenues, totaling \$5,484,332, or 34.1 percent, of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$16,073,902. Education continues to be the City's largest program and highest priority with expenses totaling \$4,072,916. Public safety expenses, which total \$3,446,175, represent the second largest expense, followed by public works expenses which total \$2,615,426.

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, 2010 and 2009

	<u>2010</u>		<u>2009</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	\$ 1,730,370	\$ 1,286,129	\$ 1,750,190	\$ 1,246,433
Judicial administration	2,205,907	(1,208,620)	2,094,281	(1,209,948)
Public safety	3,446,175	(3,318,845)	3,409,039	(3,288,597)
Public works	2,615,426	(1,939,750)	2,668,128	(2,203,082)
Health and welfare	678,382	(678,382)	548,429	(548,429)
Education	4,072,916	(4,072,916)	4,456,431	(4,456,431)
Parks, recreation, and cultural	223,086	(223,086)	231,861	(231,861)
Community development	953,120	(947,757)	954,143	(949,534)
Interest on long-term debt	148,520	(148,520)	172,012	(172,012)
Total	\$ 16,073,902	\$ (11,251,747)	\$ 16,284,514	\$ (11,813,461)

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of June 30, 2010, the City's Governmental Funds reported a combined ending fund balance of \$3,951,708, an increase of \$465,051 in comparison with the prior year. Approximately 99.6 percent or \$3,933,958 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 \$3,738,426 and a reserved fund balance of \$17,750. 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 23.4 percent of total fund expenditures, while total fund balance represents 23.9 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, 2010 and 2009

	<u>2010</u>			<u>2009</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	\$ 9,802,201	\$ 9,802,201	\$ 9,917,559	\$ 9,545,903	\$ 9,485,903	\$ 9,513,267
Other	2,430,834	2,639,949	2,584,787	2,616,587	2,750,295	2,520,136
Intergovernmental	<u>3,571,967</u>	<u>4,065,603</u>	<u>3,565,870</u>	<u>3,522,368</u>	<u>3,705,274</u>	<u>3,539,143</u>
Total Revenues	15,805,002	16,507,753	16,068,216	15,684,858	15,941,472	15,572,546
<b>Expenditures</b>	<u>15,805,002</u>	<u>16,617,153</u>	<u>15,734,123</u>	<u>15,767,633</u>	<u>16,024,247</u>	<u>15,830,183</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(109,400)	334,093	(82,775)	(82,775)	(257,637)
<b>Other Financing Sources (Uses)</b>						
Proceeds of debt	<u>-</u>	<u>109,400</u>	<u>109,400</u>	<u>82,775</u>	<u>82,775</u>	<u>140,000</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>109,400</u>	<u>109,400</u>	<u>82,775</u>	<u>82,775</u>	<u>140,000</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 443,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (117,637)</u>

The final amended budget appropriations exceeded the original appropriation by \$812,151.

Actual revenues were \$439,537, or 2.7 percent less than final budget amounts, while actual expenditures were \$883,030, or 5.3 percent less than final budget amounts. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2010, include the following:

#### Less Than Budget

Real property taxes	\$131,816
Local sales and use taxes	143,208

#### Exceeded Budget

Delinquent taxes	330,759
Meals taxes	84,632

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2010, the City's investment in capital assets totals \$11,462,267 which is net capital assets less related debt.

During fiscal year 2010, the City's net capital assets (including additions, decreases, and depreciation) decreased \$1,067,412 or 3.8 percent, as summarized below:

### Change in Capital Assets

#### Governmental Activities

	<u>Balance June 30, 2009</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2010</u>
Land and land improvements	\$ 1,626,975	\$ 110,540	\$ 1,737,515
Buildings and improvements	5,323,828	107,202	5,431,030
Infrastructure	16,494,631	-	16,494,631
Furniture, equipment, and vehicles	4,768,523	153,711	4,922,234
Total Capital Assets	28,213,957	371,453	28,585,410
Less: Accumulated depreciation and amortization	(11,124,080)	(1,107,334)	(12,231,414)
Total Capital Assets, Net	<u>\$ 17,089,877</u>	<u>\$ (735,881)</u>	<u>\$ 16,353,996</u>

#### Business-Type Activities

	<u>Balance June 30, 2009</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2010</u>
Land and land improvements	\$ 102,471	\$ -	\$ 102,471
Buildings and systems	17,254,309	-	17,254,309
Furniture, equipment, and vehicles	1,062,863	45,640	1,108,503
Total Capital Assets	18,419,643	45,640	18,465,283
Less: Accumulated depreciation and amortization	(7,628,126)	(377,172)	(8,005,298)
Total Capital Assets, Net	<u>\$ 10,791,517</u>	<u>\$ (331,532)</u>	<u>\$ 10,459,985</u>

### Long-Term Debt

As of June 30, 2010, the City's long-term obligations total \$13,954,609 exclusive of compensated absences and unfunded OPEB liability.

	<u>Balance June 30, 2009</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2010</u>
<b>Governmental Activities</b>			
Long-term debt	\$ 4,122,276	\$ (381,870)	\$ 3,740,406
Unfunded OPEB liability	-	30,000	30,000
Compensated absences	283,599	56,993	340,592
Total Governmental Activities	4,405,875	(294,877)	4,110,998
<b>Business-Type Activities</b>			
Long-term debt	10,612,957	(398,754)	10,214,203
Compensated absences	97,390	14,581	111,971
Total Business-Type Activities	10,710,347	(384,173)	10,326,174
Total Primary Government	<u>\$ 15,116,222</u>	<u>\$ (679,050)</u>	<u>\$ 14,437,172</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 2010 was 13.1 percent. This was higher than the state's rate of 7.1 percent and the national rate of 9.6 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 2011 adopted budget anticipates General Fund revenues and expenditures to be \$15,681,747, a 5.6 percent decrease over the fiscal year 2010 budget. Revenues are comprised primarily of General Property Taxes at 2.7 percent with Other Local Taxes comprising 3.4 percent. The City's expenditures on education continue to be the largest expenditure area at 2.7 percent of total expenditures with public safety at 2.1 percent as the next largest expenditure.

### **REQUESTS FOR INFORMATION**

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

# BASIC FINANCIAL STATEMENTS



## City of Emporia, Virginia

## Statement of Net Assets

At June 30, 2010

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,425,318	\$ 1,009,221	\$ 5,434,539
Receivables, net	623,809	256,369	880,178
Due from other governments	58,703	-	58,703
Other assets	21,309	138,936	160,245
Encumbrances outstanding	17,750	-	17,750
<b>Capital Assets</b>			
Land	1,737,515	102,471	1,839,986
Other capital assets, net of accumulated depreciation	14,616,481	10,357,514	24,973,995
Capital Assets, Net	<u>16,353,996</u>	<u>10,459,985</u>	<u>26,813,981</u>
Total Assets	<u>\$ 21,500,885</u>	<u>\$ 11,864,511</u>	<u>\$ 33,365,396</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 740,729	\$ 107,309	\$ 848,038
Accrued interest payable	36,538	98,191	134,729
Customer deposits	-	184,486	184,486
Unfunded OPEB obligation	30,000	-	30,000
Compensated absences	340,592	111,971	452,563
Deferred revenue	454,452	-	454,452
<b>Long-Term Liabilities</b>			
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	355,071	320,370	675,441
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	<u>3,385,335</u>	<u>9,893,833</u>	<u>13,279,168</u>
Total Liabilities	5,342,717	10,716,160	16,058,877
<b>Net Assets</b>			
Invested in capital assets, net of related debt	11,192,365	269,902	11,462,267
Restricted for encumbrances	17,750	-	17,750
Unrestricted	<u>4,948,053</u>	<u>878,449</u>	<u>5,826,502</u>
Total Net Assets	<u>16,158,168</u>	<u>1,148,351</u>	<u>17,306,519</u>
Total Liabilities and Net Assets	<u>\$ 21,500,885</u>	<u>\$ 11,864,511</u>	<u>\$ 33,365,396</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, 2010

<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	\$ 1,730,370	\$ 46,142	\$ 2,970,357	\$ -	\$ 1,286,129	\$ -	\$ 1,286,129
Judicial administration	2,205,907	997,287	-	-	(1,208,620)	-	(1,208,620)
Public safety	3,446,175	127,330	-	-	(3,318,845)	-	(3,318,845)
Public works	2,615,426	675,676	-	-	(1,939,750)	-	(1,939,750)
Health and welfare	678,382	-	-	-	(678,382)	-	(678,382)
Education	4,072,916	-	-	-	(4,072,916)	-	(4,072,916)
Parks, recreation, and cultural	223,086	-	-	-	(223,086)	-	(223,086)
Community development	953,120	-	5,363	-	(947,757)	-	(947,757)
Interest on long-term debt	148,520	-	-	-	(148,520)	-	(148,520)
Total Governmental Activities	16,073,902	1,846,435	2,975,720	-	(11,251,747)	-	(11,251,747)
<b>Business-Type Activities</b>							
Water and Sewer Fund	2,458,491	3,053,387	-	-	-	594,896	594,896
Total Business-Type Activities	2,458,491	3,053,387	-	-	-	594,896	594,896
Total Primary Government	\$ 18,532,393	\$ 4,899,822	\$ 2,975,720	\$ -	(11,251,747)	594,896	(10,656,851)
<b>General Revenues</b>							
<b>Taxes</b>							
General property taxes, real and personal					4,433,227	-	4,433,227
Other local taxes					5,484,332	-	5,484,332
Noncategorical aid from state					595,513	-	595,513
Use of property					6,301	-	6,301
Investment earnings					68,046	8,108	76,154
Miscellaneous					668,189	-	668,189
Total General Revenues					11,255,608	8,108	11,263,716
Change in Net Assets					3,861	603,004	606,865
Net Assets - Beginning of Year					16,127,898	542,074	16,669,972
Change in Reserve for Encumbrances					15,720	-	15,720
Prior Year Adjustment					10,689	3,273	13,962
Net Assets - End of Year					\$ 16,158,168	\$ 1,148,351	\$ 17,306,519

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

City of Emporia, Virginia

Balance Sheet

Governmental Funds

At June 30, 2010

	<u>General Fund</u>	<u>Housing Authority Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and investments	\$ 4,247,481	\$ 177,837	\$ 4,425,318
Property taxes receivable, net	190,725	-	190,725
Accounts receivable	415,205	17,879	433,084
Due from other governments	58,703	-	58,703
Other assets	21,309	-	21,309
Encumbrances outstanding	<u>17,750</u>	<u>-</u>	<u>17,750</u>
Total Assets	<u>\$ 4,951,173</u>	<u>\$ 195,716</u>	<u>\$ 5,146,889</u>
<b>Liabilities</b>			
Accounts payable	\$ 378,631	\$ 184	\$ 378,815
Accrued liabilities	361,914	-	361,914
Deferred revenue	<u>454,452</u>	<u>-</u>	<u>454,452</u>
Total Liabilities	1,194,997	184	1,195,181
<b>Fund Balance</b>			
<b>Designated</b>			
Reserved for encumbrances	17,750	-	17,750
<b>Unreserved/Undesignated</b>	<u>3,738,426</u>	<u>195,532</u>	<u>3,933,958</u>
Total Fund Balance	<u>3,756,176</u>	<u>195,532</u>	<u>3,951,708</u>
Total Liabilities and Fund Balance	<u>\$ 4,951,173</u>	<u>\$ 195,716</u>	<u>\$ 5,146,889</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, 2010

Total Fund Balances for Governmental Funds		\$ 3,951,708
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	\$ 1,737,515	
Buildings and improvements, net of accumulated depreciation	3,479,894	
Furniture, equipment, and vehicles, net of accumulated depreciation	1,246,897	
Infrastructure, net of accumulated depreciation	<u>9,889,690</u>	
Total Capital Assets		16,353,996
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	(3,740,406)	
Accrued interest payable	(36,538)	
Unfunded OPEB obligation	(30,000)	
Compensated absences	<u>(340,592)</u>	
Total		<u>(4,147,536)</u>
Total Net Assets of Governmental Activities		<u>\$ 16,158,168</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, 2010

	<u>General Fund</u>	<u>Housing Authority Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property taxes	\$ 4,433,227	\$ -	\$ 4,433,227
Other local taxes	5,484,332	-	5,484,332
Permits, privilege fees, and regulatory licenses	46,142	-	46,142
Fines and forfeitures	997,287	-	997,287
Use of money and property	70,163	4,184	74,347
Charges for services	803,006	-	803,006
Miscellaneous	182,498	-	182,498
Recovered costs	485,691	-	485,691
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	3,433,508	5,363	3,438,871
Revenue from the Federal Government	<u>132,362</u>	<u>-</u>	<u>132,362</u>
Total Revenues	16,068,216	9,547	16,077,763
<b>Expenditures</b>			
<b>Current</b>			
General government administration	1,393,231	-	1,393,231
Judicial administration	2,205,907	-	2,205,907
Public safety	3,309,165	-	3,309,165
Public works	2,266,378	-	2,266,378
Health and welfare	678,382	-	678,382
Education - public school system	4,072,916	-	4,072,916
Parks, recreation, and cultural	223,086	-	223,086
Community development	949,411	3,709	953,120
Debt service	<u>635,647</u>	<u>-</u>	<u>635,647</u>
Total Expenditures	<u>15,734,123</u>	<u>3,709</u>	<u>15,737,832</u>
Excess (Deficiency) of Revenues Over Expenditures	334,093	5,838	339,931
<b>Other Financing Sources (Uses)</b>			
Proceeds of notes	<u>109,400</u>	<u>-</u>	<u>109,400</u>
Total Other Financing Sources (Uses)	<u>109,400</u>	<u>-</u>	<u>109,400</u>
Net Change in Fund Balance	443,493	5,838	449,331
Fund Balance - Beginning of Year	3,296,963	189,694	3,486,657
Change in Encumbrances	<u>15,720</u>	<u>-</u>	<u>15,720</u>
Fund Balance - End of Year	<u>\$ 3,756,176</u>	<u>\$ 195,532</u>	<u>\$ 3,951,708</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, 2010

Net Change in Fund Balances - Total Governmental Funds	\$	449,331	
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.			(735,880)
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	\$	(109,400)	
Reallocation of debt - prior year adjustment		10,689	
Repayments on debt		<u>480,581</u>	
Net Adjustment			381,870
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		(56,993)	
Unfunded OPEB obligation		(30,000)	
Interest payable		<u>6,222</u>	
Net Adjustment			<u>(80,771)</u>
Change in Net Assets of Governmental Activities	\$		<u><u>14,550</u></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, 2010

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

**Assets****Current Assets**

Cash and investments	\$ 1,009,221
Receivables, net	256,369
	<hr/>
Total Current Assets	1,265,590

**Noncurrent Assets**

Unamortized bond issue costs	138,936
Capital assets, net	10,459,985
	<hr/>
Total Noncurrent Assets	10,598,921

Total Assets	<u>\$ 11,864,511</u>
--------------	----------------------

**Liabilities****Current Liabilities**

Accounts payable	\$ 107,309
Accrued expenses	98,191
Short-term portion of debt	320,370
	<hr/>
Total Current Liabilities	525,870

**Noncurrent Liabilities**

Compensated absences	111,971
Customer deposits	184,486
Long-term debt	9,893,833
	<hr/>
Total Noncurrent Liabilities	10,190,290

Total Liabilities	10,716,160
-------------------	------------

**Net Assets**

Invested in capital assets, net of related debt	269,902
Unrestricted	878,449
	<hr/>
Total Net Assets	1,148,351

Total Liabilities and Net Assets	<u>\$ 11,864,511</u>
----------------------------------	----------------------

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, 2010

	<b>Business-Type Activities - Enterprise Fund Water and Sewer Fund</b>
<b>Operating Revenues</b>	
Charges for services, net	\$ 2,961,537
Penalties income	78,720
Miscellaneous	<u>13,130</u>
Total Operating Revenues	3,053,387
<b>Operating Expenses</b>	
Personal services and benefits	1,016,213
Maintenance, supplies, and vehicle expenses	226,853
Utilities	165,314
Chemicals	91,199
Depreciation	377,172
Other charges	<u>151,146</u>
Total Operating Expenses	<u>2,027,897</u>
Operating Income	1,025,490
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	8,108
Interest expense	<u>(430,594)</u>
Total Nonoperating Revenues (Expenses)	<u>(422,486)</u>
Income Before Operating Transfers	<u>603,004</u>
Change in Net Assets	603,004
Total Net Assets - Beginning of Year	542,074
Prior Year Adjustment	<u>3,273</u>
Total Net Assets - End of Year	<u><u>\$ 1,148,351</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, 2010

	<b>Business-Type Activities - Enterprise Fund Water and Sewer Fund</b>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 2,994,639
Other receipts	13,130
Payments to personnel and suppliers	<u>(1,622,157)</u>
Net Cash Provided by Operating Activities	1,385,612
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases and construction of capital assets	(45,640)
Principal paid on capital debt	(395,481)
Interest paid on capital debt	<u>(411,464)</u>
Net Cash Used in Capital and Related Financing Activities	(852,585)
<b>Cash Flows from Investing Activities</b>	
Interest income	<u>8,108</u>
Net Increase in Cash and Cash Equivalents	541,135
Cash and Cash Equivalents - Beginning of Year	<u>468,086</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,009,221</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating income	\$ 1,025,490
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	377,172
Amortization expense	12,646
Changes in assets and liabilities	
Receivables, net	(55,403)
Accounts payable and accrued expenses	1,341
Compensated absences	14,581
Customer deposits	<u>9,785</u>
Net Cash Provided by Operating Activities	<u>\$ 1,385,612</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, 2010

## 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 \$4,220,692 during fiscal year 2010.

### *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 \$208,107 during fiscal year 2010 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 \$834,669 during fiscal year 2010 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 2010:

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, 2010, 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 \$303,967 at June 30, 2010 and is composed of the following:

General Fund - taxes receivable	\$ 38,598
General Fund - accounts receivable	265,369

**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, 2010:

	<b><u>Carrying Amount</u></b>
Total Deposits	\$5,433,439
Cash on Hand	<u>1,100</u>
All Cash - City	<u><u>\$5,434,539</u></u>

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2010:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,425,318	\$ 1,009,221	\$ 5,434,539

**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 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.

Real estate taxes for calendar year 2010 were levied by the City Council in September 2010 on the assessed value listed as of January 1, 2010. Personal property taxes for calendar year 2010 were levied by the City Council in June 2010 on the assessed value listed as of January 1, 2010.

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, 2010 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	\$ 229,323	\$ -	\$ 229,323	\$ -
Utility taxes	20,246	-	20,246	-
Sanitation fees	55,065	-	55,065	-
Meals and lodging taxes	225,145	-	225,145	-
Court fines	82,094	-	82,094	-
Other	314,469	-	314,469	22,239
Water and sewer	-	-	-	399,425
Local organizations	1,434	-	1,434	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	927,776	-	927,776	421,664
Allowance for uncollectibles	<u>(303,967)</u>	<u>-</u>	<u>(303,967)</u>	<u>(165,295)</u>
Net Receivables	<u>\$ 623,809</u>	<u>\$ -</u>	<u>\$ 623,809</u>	<u>\$ 256,369</u>

**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	<u>\$ 5,170</u>	<u>\$ -</u>	<u>\$ 5,170</u>
Total County of Greenville, Virginia	5,170	-	5,170
<b>Commonwealth of Virginia</b>	<u>53,533</u>	<u>-</u>	<u>53,533</u>
Total	<u>\$ 58,703</u>	<u>\$ -</u>	<u>\$ 58,703</u>

**6** Interfund Balances and Activity

Balance due to/from other funds at June 30, 2010:

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

## 7 Capital Assets

### Governmental Activities

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 1,626,975	\$ 110,540	\$ -	\$ 1,737,515
Total Capital Assets Not Being Depreciated	1,626,975	110,540	-	1,737,515
<b>Other Capital Assets</b>				
Buildings and improvements	5,323,828	107,202	-	5,431,030
Infrastructure	16,494,631	-	-	16,494,631
Furniture, equipment, and vehicles	4,768,523	153,711	-	4,922,234
Total Other Capital Assets	26,586,982	260,913	-	26,847,895
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	1,820,293	130,843	-	1,951,136
Infrastructure	5,945,476	659,465	-	6,604,941
Furniture, equipment, and vehicles	3,358,311	317,026	-	3,675,337
Total Accumulated Depreciation	11,124,080	1,107,334	-	12,231,414
Other Capital Assets, Net	15,462,902	(846,421)	-	14,616,481
Net Capital Assets	\$ 17,089,877	\$ (735,881)	\$ -	\$ 16,353,996

### Depreciation Expense was Allocated to

General government administration	\$ 285,193
Public safety	260,751
Public works	561,390
Total	\$ 1,107,334

## Business-Type Activities

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
<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	1,062,863	45,640	-	1,108,503
Total Other Capital Assets	18,317,172	45,640	-	18,362,812
<b>Less: Accumulated depreciation for</b>				
Buildings and systems	6,796,548	340,805	-	7,137,353
Furniture, equipment, and vehicles	831,578	36,367	-	867,945
Total Accumulated Depreciation	7,628,126	377,172	-	8,005,298
Other Capital Assets, Net	10,689,046	(331,532)	-	10,357,514
Net Capital Assets	\$ 10,791,517	\$ (331,532)	\$ -	\$ 10,459,985
Depreciation expense was allocated to water and sewer		\$ 377,172		

## 8 Long-Term Debt

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

Year(s) Ended June 30,	<u>Governmental Activities</u> General Bonds Payable		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 370,303	\$ 141,745	\$ 324,774	\$ 395,237
2012	270,486	124,676	289,500	382,007
2013	242,951	115,931	286,664	370,981
2014	251,932	107,345	295,133	359,988
2015	260,850	98,445	306,484	348,582
2016-2020	710,001	393,237	2,904,042	1,537,285
2021-2025	414,864	297,468	1,634,331	1,017,759
2026-2030	504,605	207,439	1,981,838	669,614
2031 and thereafter	714,414	102,983	2,191,437	266,927
Compensated absences	340,592	-	111,971	-
Total	\$ 4,080,998	\$ 1,589,269	\$ 10,326,174	\$ 5,348,380

**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, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2010</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.	\$ 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)	2,252,047	-	47,830	<b>2,204,217</b>	49,744
Installment note with the Bank of Southside Virginia, principal of \$109,400 entered into on August 11, 2009 with interest at 4.35 percent due monthly commencing September 11, 2009 until maturity on August 11, 2019.	-	109,400	7,448	<b>101,952</b>	9,237
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.	316,000	-	39,900	<b>276,100</b>	23,300

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2010</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)	1,071,679	-	138,334	<b>933,345</b>	144,639
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 7.50 percent, payments due and payable in annual installments of \$100,852, (interest included) through June 30, 2011. (General Fund Portion)	181,086	-	102,304	<b>78,782</b>	78,782
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.	10,167	-	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)	70,064	-	3,432	<b>66,632</b>	2,209
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.	125,033	-	45,655	<b>79,378</b>	47,160
Unfunded OPEB obligation	-	30,000	-	<b>30,000</b>	-
Compensated Absences - General Fund	<u>283,599</u>	<u>56,993</u>	<u>-</u>	<b><u>340,592</u></b>	<u>-</u>
Total Governmental Activities	4,405,875	196,393	491,270	<b>4,110,998</b>	355,071

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
<b>Business-Type Activities</b>					
General Obligation Refunding Bond, Series 2004A, with SunTrust Bank, principal amount of \$1,770,700, issued October 21, 2004, with interest at 3.21 percent due and payable in semi-annual installments on January 15 and July 15 commencing January 15, 2005 through and including the maturity date. Payments of principal will be due and payable in annual installments on July 15 of each year, commencing July 15, 2005 through and including the maturity date. (Utility Fund Portion)	101,221	-	13,066	<b>88,155</b>	13,661
General Obligation Public Improvement Bond, Series 2004B, with SunTrust Bank, principal amount of \$1,950,880, 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.	1,822,700	-	42,900	<b>1,779,800</b>	44,500
General Obligation Refunding Bond, Series 2006 with Community National Bank, principal amount of \$7,560,000, issued June 15, 2006, with interest at 4.00 percent, subject to be reset in future years, interest due and payable in semi-annual installments on May 1 and November 1, commencing November 1, 2006. Principal shall be due and payable in annual installments on May 1 of each year, commencing May 1, 2007 through and including the maturity date of May 1, 2036. (Utility Fund Portion)	4,984,669	-	105,867	<b>4,878,802</b>	110,101
Note payable to the Virginia Retirement System for prior years of unreported creditable compensation for thirteen employees, principal amount of \$498,299, with interest at 7.50 percent, payments due and payable in annual installments of \$114,857, (interest included) through June 30, 2011. (Enterprise Fund Portion)	55,442	-	31,322	<b>24,120</b>	24,120
Note payable with First Citizens Bank, \$72,440 payable \$1,339 monthly through August 2012, including interest at 4.16 percent.	47,608	-	14,364	<b>33,244</b>	14,972

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
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)	3,601,317	-	191,235	<b>3,410,082</b>	113,016
Compensated Absences - Enterprise Fund	<u>97,390</u>	<u>14,581</u>	<u>-</u>	<u><b>111,971</b></u>	<u>-</u>
Total Business-Type Activities	<u>10,710,347</u>	<u>14,581</u>	<u>398,754</u>	<u><b>10,326,174</b></u>	<u>320,370</u>
Total Primary Government	<u>\$ 15,116,222</u>	<u>\$ 210,974</u>	<u>\$ 890,024</u>	<u><b>\$ 14,437,172</b></u>	<u>\$ 675,441</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 based on years of service:

<u>Years of Service</u>	<u>Hours Accrued</u> <u>Per Month</u>
Under 5 years	8 hours
5-9 years	10 hours
10-14 years	12 hours
15-19 years	14 hours
20-24 years	16 hours
25 years or more	18 hours

Sick leave is earned at the rate of 5 hours of sick leave each pay period. There is no maximum of 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 25 percent of time left for employees who have at least 5 years of service. Accrued vacation may be paid based on years of service as follows:

<u>Years of Service</u>	<u>Maximum</u> <u>Payment</u>
Under 5 years	24 days
5-9 years	30 days
10-19 years	36 days
20 years or more	42 days

The City has outstanding compensated absences totaling \$340,592 in the governmental activities. The balance in the business-type activities is \$111,971.

## 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 \$454,452 is comprised of the following:

Property taxes	\$ 280,629
Vehicle licenses	23,823
E911 funds	<u>150,000</u>
Total Deferred Revenue	<u>\$ 454,452</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, 2010, 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>Name of Plan:</b>	Virginia Retirement System (VRS)
<b>Identification of Plan:</b>	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
<b>Administering Entity:</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/2009-Annual-Report.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 2010 was 15.4% of annual covered payroll.

**C. Annual Pension Cost**

For fiscal year 2010, the City's annual pension cost of \$626,827 was equal to the City's required and actual contributions.

**Three-Year Trend Information for City**

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
June 30, 2008	\$ 634,840	100.0%	\$ -
June 30, 2009	744,398	100.0%	-
<b>June 30, 2010</b>	<b>626,827</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, 2009, the most recent actuarial valuation date, the plan, was 87.7% funded. The actuarial accrued liability for benefits was \$15,919,660, and the actuarial value of assets was \$13,961,105, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,958,555. The covered payroll (annual payroll of active employees covered by the plan) was \$3,854,715 and the ratio of the UAAL to the covered payroll was 50.81%.

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, 2007	\$13,961,105	\$ 15,919,660	\$ 1,958,555	87.70%	\$3,854,715	50.81%
June 30, 2008	15,601,372	17,494,875	1,893,503	89.18%	4,054,422	46.70%
<b>June 30, 2009</b>	<b>16,107,797</b>	<b>18,680,822</b>	<b>2,573,025</b>	<b>86.23%</b>	<b>4,165,139</b>	<b>61.78%</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, 2009
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, 2010:

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.

## 15 Other Postemployment Benefits

### *Plan Description*

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

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

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

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

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

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

Coverage is for the retiree and eligible dependents. The monthly premiums below are for the year beginning July 1, 2010. Dental and vision are included in the premium.

<u>Medical Option</u>	<u>Retiree</u>	<u>Retiree and One Dependent</u>	<u>Retiree and Family</u>
Anthem KA 500	\$ 434	\$ 803	\$ 1,172
Anthem KA Expanded	500	925	1,350
Medicare Supplement	127	254	N/A

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

Non-Medicare Eligible Retirees – The City contributes \$417 per month towards the retiree's elected coverage. The retiree must pay the remainder.

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

**D. Disability Retirement Benefit**

There is no benefit.

**E. Death Benefit**

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

**F. Withdrawal Benefit**

The Plan does not include a withdrawal benefit.

**G. Benefit Service**

The Plan is closed to future retirees.

**H. Life Insurance**

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

**Cash and Cash Equivalents**

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

**Funding Policy**

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

**Actuarial Methods and Assumptions**

Valuation Date	June 30, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Amortization Period	6 years
Asset Valuation Method	N/A
Actuarial Assumptions	
Investment rate of return <sup>1</sup>	7.50% for funded ARC 4.00% for unfunded ARC
Medical Cost Trend Assumption	<i>Health:</i> Getzen Trend Model - 8.20% graded to 4.70% over 80 years
Payroll Growth	3.75% per year

### Net OPEB Obligations and Annual OPEB Cost

This summary identifies the value of benefits at June 30, 2010 and costs for the fiscal years through June 30, 2010, reflecting the unfunded approach, utilizing a discount rate of 4.0 percent (10-Year Phase In), and amortizing the Unfunded Actuarial Accrued Liability as a level dollar amount. A summary of the net OPEB obligation is as follows:

	<u>City</u>
<b>Annual OPEB Cost (Expense)</b>	
Annual Required Contribution (ARC)	\$ 30,000
Interest on Net OPEB Obligation	-
Adjustment to ARC	-
	<hr/>
Annual OPEB Cost (Expense)	30,000
<b>Contributions Made</b>	
To Trust Fund	-
Implicit rate subsidy	-
	<hr/>
Increase in Net OPEB Obligation	30,000
Net OPEB Obligation - Beginning of Year	-
	<hr/>
Net OPEB Obligation - End of Year	<u>\$ 30,000</u>

### Current Year Information

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 30,000	0.00%	\$ 30,000

### Required Supplementary Information

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

## **16** Prior Year Adjustment

At the request of the Finance Director, VRS recalculated the amortization of the debt owed by the City due to the early repayment of debt. These adjustments only affect the Water and Sewer Fund (both presentations) and Governmental Activities in the Government Wide Financial Statement presentation:

### ***Water and Sewer Fund***

Long-term debt was reduced by \$3,273, thus increasing net assets by \$3,273.

### ***Governmental Activities***

Long-term debt was reduced by \$10,689 thus increasing net assets by \$10,689.

# REQUIRED SUPPLEMENTARY INFORMATION



**City of Emporia, Virginia**

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2010

	<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	\$ 2,862,407	\$ 2,862,407	2,730,591	\$ (131,816)
Personal property taxes	1,112,668	1,112,668	1,134,008	21,340
Public service corporation property taxes	145,000	145,000	115,083	(29,917)
Delinquent taxes	60,000	60,000	390,759	330,759
Penalties and interest on taxes	78,000	78,000	62,786	(15,214)
Total General Property Taxes	<u>4,258,075</u>	<u>4,258,075</u>	<u>4,433,227</u>	<u>175,152</u>
<b>Other Local Taxes</b>				
Local sales and use taxes	1,533,376	1,533,376	1,390,168	(143,208)
Consumers' utility taxes	395,000	395,000	383,136	(11,864)
Business license taxes	740,000	740,000	717,029	(22,971)
Motor vehicle licenses	97,000	97,000	111,061	14,061
Bank stock taxes	105,000	105,000	136,316	31,316
Tax on recordation and wills	35,000	35,000	36,415	1,415
Lodging taxes	843,750	843,750	837,949	(5,801)
Meals taxes	1,515,000	1,515,000	1,599,632	84,632
Emergency 911 taxes	280,000	280,000	272,626	(7,374)
Total Other Local Taxes	<u>5,544,126</u>	<u>5,544,126</u>	<u>5,484,332</u>	<u>(59,794)</u>
<b>Permits, Privilege Fees, and Regulatory Licenses</b>				
Animal licenses	2,000	2,000	3,151	1,151
Planning and zoning	4,000	4,000	6,530	2,530
Building permits	37,000	37,000	35,551	(1,449)
Other permits, licenses, and fees	500	500	910	410
Total Permits, Privilege Fees, and Regulatory Licenses	<u>43,500</u>	<u>43,500</u>	<u>46,142</u>	<u>2,642</u>
<b>Fines and Forfeitures</b>				
	970,100	1,130,100	997,287	(132,813)
<b>Revenue from Use of Money and Property</b>				
Revenue from use of money	72,000	72,000	63,862	(8,138)
Revenue from use of property	5,500	5,500	6,301	801
Total Revenue from Use of Money and Property	<u>77,500</u>	<u>77,500</u>	<u>70,163</u>	<u>(7,337)</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Charges for Services</b>				
Charges for fire services	125,000	140,370	127,285	(13,085)
Charges for animal control	200	200	45	(155)
Charges for sanitation and waste removal	645,620	645,620	675,676	30,056
Total Charges for Services	<u>770,820</u>	<u>786,190</u>	<u>803,006</u>	<u>16,816</u>
<b>Recovered Costs</b>				
From Greensville County, Virginia	73,000	73,000	218,779	145,779
Insurance refunds	1,000	1,000	19,291	18,291
Other recovered costs	276,356	116,356	247,621	131,265
Total Recovered Costs	<u>350,356</u>	<u>190,356</u>	<u>485,691</u>	<u>295,335</u>
<b>Miscellaneous</b>				
Total Miscellaneous	<u>218,558</u>	<u>412,303</u>	<u>182,498</u>	<u>(229,805)</u>
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Auto rental taxes	1,000	1,000	2,576	1,576
Rolling stock taxes - motor vehicle carriers tax	8,850	8,850	11,100	2,250
Personal Property Tax Relief	570,319	570,319	570,320	1
Recordation and grantors' tax - State	7,607	7,607	11,517	3,910
Total Noncategorical Aid	<u>587,776</u>	<u>587,776</u>	<u>595,513</u>	<u>7,737</u>
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Sheriff	147,411	147,411	131,349	(16,062)
Commissioner of the Revenue	75,241	75,241	71,892	(3,349)
Treasurer	79,333	79,333	73,973	(5,360)
Registrar/Electoral Board	35,407	35,407	31,197	(4,210)
Law enforcement grants	329,952	437,336	246,442	(190,894)
State sales tax - education	928,056	928,056	875,657	(52,399)
Street and highway maintenance	919,548	924,673	938,617	13,944
Family violence prevention	55,221	55,221	58,516	3,295
Virginia Juvenile Community Crime Control	127,560	127,560	121,936	(5,624)
Criminal justice service - Victim Witness	55,627	55,627	55,508	(119)
Other State funds	230,835	405,835	232,908	(172,927)
Total Categorical Aid	<u>2,984,191</u>	<u>3,271,700</u>	<u>2,837,995</u>	<u>(433,705)</u>
Total Revenue from the Commonwealth of Virginia	<u>3,571,967</u>	<u>3,859,476</u>	<u>3,433,508</u>	<u>(425,968)</u>

	<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	-	35,655	35,655	-
Other Federal funds	-	170,472	96,707	(73,765)
Total Revenue from the Federal Government	-	206,127	132,362	(73,765)
Total Intergovernmental Revenues	3,571,967	4,065,603	3,565,870	(499,733)
Total Revenues	15,805,002	16,507,753	16,068,216	(439,537)
<b>Expenditures</b>				
<b>Current</b>				
<i>General Government Administration</i>				
Legislative	161,046	152,251	152,967	(716)
City Manager	503,726	507,665	500,509	7,156
Legal services	34,320	34,320	33,472	848
Commissioner of Revenue	202,321	202,321	200,085	2,236
Equalization Board	41,622	41,622	40,907	715
Treasurer	197,081	197,081	195,006	2,075
Director of Finance	184,623	185,804	185,147	657
Data processing	22,800	24,165	24,165	-
Board of Elections	68,522	68,522	60,973	7,549
Total General Government Administration	1,416,061	1,413,751	1,393,231	20,520
<i>Judicial Administration</i>				
Circuit Court - shared services	1,530,044	1,571,179	1,571,294	(115)
Juvenile and Domestic Relations Court	126,764	100,655	99,235	1,420
Sheriff	251,011	251,011	249,336	1,675
Family violence	89,837	90,876	94,171	(3,295)
Victim Witness	60,182	60,182	61,018	(836)
VJCCC Grant	136,477	136,477	130,853	5,624
Total Judicial Administration	2,194,315	2,210,380	2,205,907	4,473
<i>Public Safety</i>				
Police Department	2,553,441	3,008,888	2,767,171	241,717
Volunteer Fire Department	220,981	331,627	197,192	134,435
Ambulance and rescue service	39,000	41,310	41,435	(125)
Inspections - Building Inspector	188,246	188,246	171,454	16,792
Animal control	67,904	66,868	61,387	5,481
Emergency services	55,254	71,399	70,526	873
Total Public Safety	3,124,826	3,708,338	3,309,165	399,173

	<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	797,367	822,428	809,492	12,936
Refuse collection	855,585	846,803	841,480	5,323
Engineering	106,324	108,358	105,505	2,853
City Shop	185,672	164,191	159,579	4,612
General buildings and grounds	381,797	503,934	350,322	153,612
Total Public Works	<u>2,326,745</u>	<u>2,445,714</u>	<u>2,266,378</u>	<u>179,336</u>
<i>Health and Welfare</i>				
Local health	78,079	78,079	77,994	85
Mental Health and Mental Retardation	39,471	39,471	39,471	-
Comprehensive services	107,414	107,414	107,413	1
Mosquito control	3,803	3,803	2,068	1,735
Welfare and social services	214,674	214,674	451,436	(236,762)
Total Health and Welfare	<u>443,441</u>	<u>443,441</u>	<u>678,382</u>	<u>(234,941)</u>
<i>Education</i>				
Superintendent	500	500	500	-
Contract services (shared costs)	4,220,192	4,220,192	4,071,221	148,971
Community Colleges	1,195	1,195	1,195	-
Total Education	<u>4,221,887</u>	<u>4,221,887</u>	<u>4,072,916</u>	<u>148,971</u>
<i>Parks, Recreation, and Cultural</i>				
Parks and recreation	131,073	131,073	130,551	522
Regional library	92,535	92,535	92,535	-
Total Parks, Recreation, and Cultural	<u>223,608</u>	<u>223,608</u>	<u>223,086</u>	<u>522</u>
<i>Community Development</i>				
Zoning Board	21,355	31,275	30,105	1,170
Economic development	1,097,433	1,184,370	823,082	361,288
Airport Commission	80,200	65,174	63,952	1,222
Cooperative Extension Program	30,754	33,546	32,272	1,274
Total Community Development	<u>1,229,742</u>	<u>1,314,365</u>	<u>949,411</u>	<u>364,954</u>
<i>Debt Service</i>				
	<u>624,377</u>	<u>635,669</u>	<u>635,647</u>	<u>22</u>
Total Expenditures	<u>15,805,002</u>	<u>16,617,153</u>	<u>15,734,123</u>	<u>883,030</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(109,400)	334,093	443,493

	<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	-	109,400	109,400	-
Total Other Financing Sources (Uses)	-	109,400	109,400	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	443,493	<u>\$ 443,493</u>
Fund Balance - Beginning of Year			3,296,963	
Change in Encumbrances			<u>15,720</u>	
Fund Balance - End of Year			<u>\$ 3,756,176</u>	

# COMPLIANCE SECTION





**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 City of Emporia, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the City of Emporia, Virginia's basic financial statements and have issued our report thereon dated December 28, 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 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 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 deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 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.  
Certified Public Accountants

South Hill, Virginia  
December 28, 2010