

City of Emporia, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2014



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

City of Emporia, Virginia

Table of Contents

Year Ended June 30, 2014

Pages

FINANCIAL SECTION

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 Position	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 Position	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 Position – Proprietary Funds	15
6	Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	16
7	Statement of Cash Flows – Proprietary Funds	17
	Notes to the Financial Statements	18-50

Required Supplementary Information

Exhibit

8	Budgetary Comparison Schedule – General Fund and Emporia Redevelopment and Housing Authority Fund	51-56
---	---	-------

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	59-60
Schedule of Expenditures of Federal Awards	61
Notes to Schedule of Expenditures of Federal Awards	62-63
Schedule of Findings and Questioned Costs	64
Summary Schedule of Prior Audit Findings	65

FINANCIAL SECTION





**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA
Nadia A. Rogers, CPA*

*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Kimberly N. Walker, CPA*

Sherwood H. Creedle, Emeritus

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

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Emporia, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Emporia, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Emporia, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–8 and 51–56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Emporia, Virginia's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2015, on our consideration of the City of Emporia, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Emporia, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
March 10, 2015

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, 2014. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the City's financial statements.

Financial Highlights

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$22,619,787. Of this amount, \$11,720,608 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 governmental activities were \$17,883,184 and expenses amounted to \$17,292,319. The City's total net position increased \$575,884 after inclusion of changes in reserve for encumbrances.
- For business-type activities, revenues were \$3,161,292 and expenses were \$2,812,498. The net position increased by \$231,291 after inclusion of a prior period adjustment to remove unamortized bond issuance costs.

Highlights for Fund Financial Statements

- As of June 30, 2014, the City's Governmental Funds reported combined fund balances of \$9,941,974, an increase of \$1,309,979 in comparison with the prior year. Approximately 73.7 percent of the combined fund balances, \$7,323,710, is available to meet the City's current and future needs.
- The General Fund reported a fund balance of \$8,303,759, an increase of \$704,759 from June 30, 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the City include general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, and community development. Public utilities represent the business-type activities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported.

The City has three types of funds:

Governmental Funds - Most of the City's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Housing Authority Fund, all of which are considered to be major funds.

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

Fiduciary Funds – The City is the trustee, or fiduciary, for the City's agency funds. Agency funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The funds are used to account for monies received, held, and disbursed on behalf of the Emporia Redevelopment and Housing Authority.

Notes to the Basic Financial Statements

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

Other

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets						
Current and other assets	\$ 11,479,830	\$ 10,313,060	\$ 2,521,025	\$ 2,397,254	\$ 14,000,855	\$ 12,710,314
Capital assets (net)	<u>14,788,071</u>	<u>15,113,360</u>	<u>11,545,100</u>	<u>10,476,021</u>	<u>26,333,171</u>	<u>25,589,381</u>
Total Assets	<u>\$ 26,267,901</u>	<u>\$ 25,426,420</u>	<u>\$ 14,066,125</u>	<u>\$ 12,873,275</u>	<u>\$ 40,334,026</u>	<u>\$ 38,299,695</u>
Liabilities						
Other liabilities	\$ 1,353,582	\$ 1,064,388	\$ 538,372	\$ 552,345	\$ 1,891,954	\$ 1,616,733
Long-term liabilities	<u>5,585,480</u>	<u>5,609,077</u>	<u>10,236,805</u>	<u>9,378,776</u>	<u>15,822,285</u>	<u>14,987,853</u>
Total Liabilities	<u>6,939,062</u>	<u>6,673,465</u>	<u>10,775,177</u>	<u>9,931,121</u>	<u>17,714,239</u>	<u>16,604,586</u>
Net Position						
Net investment in capital assets	9,585,252	10,348,763	1,308,295	1,214,748	10,893,547	11,563,511
Reserved for encumbrances	5,632	20,613	-	-	5,632	20,613
Unrestricted	<u>9,737,955</u>	<u>8,383,579</u>	<u>1,982,653</u>	<u>1,727,406</u>	<u>11,720,608</u>	<u>10,110,985</u>
Total Net Position	<u>19,328,839</u>	<u>18,752,955</u>	<u>3,290,948</u>	<u>2,942,154</u>	<u>22,619,787</u>	<u>21,695,109</u>
Total Liabilities and Net Position	<u>\$ 26,267,901</u>	<u>\$ 25,426,420</u>	<u>\$ 14,066,125</u>	<u>\$ 12,873,275</u>	<u>\$ 40,334,026</u>	<u>\$ 38,299,695</u>

The Commonwealth of Virginia requires that cities, as well as their financial dependent component units, be financed under a single taxing structure. This results in cities issuing debt to finance capital assets, such as infrastructure and governmental buildings. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as a long-term liability and an asset of the City. The net position of the total financial reporting entity best represents the entity's financial position. In the case of the City's reporting entity, assets exceeded liabilities by \$22,619,787 at June 30, 2014. The largest portion of the reporting entity's net position, \$10,893,547 reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition. Net position which is unrestricted totals \$11,720,608.

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program Revenues						
Charges for services	\$ 2,185,908	\$ 2,046,826	\$ 2,942,561	\$ 2,815,631	\$ 5,128,469	\$ 4,862,457
Operating grants and contributions	3,782,357	3,407,496	30,762	-	3,813,119	3,407,496
General Revenues						
General property taxes, real and personal	4,851,159	4,375,799	-	-	4,851,159	4,375,799
Other taxes	5,865,488	5,689,653	-	-	5,865,488	5,689,653
Noncategorical aid from state	622,065	620,006	-	-	622,065	620,006
Use of property	1,803	10,326	-	-	1,803	10,326
Investment earnings	44,335	36,335	5,952	5,238	50,287	41,573
Miscellaneous	530,069	529,930	182,017	332,793	712,086	862,723
Total Revenues	<u>17,883,184</u>	<u>16,716,371</u>	<u>3,161,292</u>	<u>3,153,662</u>	<u>21,044,476</u>	<u>19,870,033</u>
Expenses						
General government administration	1,594,556	1,655,022	-	-	1,594,556	1,655,022
Judicial administration	2,864,483	2,660,323	-	-	2,864,483	2,660,323
Public safety	3,691,819	3,611,630	-	-	3,691,819	3,611,630
Public works	2,409,765	2,412,248	-	-	2,409,765	2,412,248
Health and welfare	455,787	509,551	-	-	455,787	509,551
Education	4,417,421	4,177,366	-	-	4,417,421	4,177,366
Parks, recreation, and cultural	277,105	265,853	-	-	277,105	265,853
Community development	1,423,745	1,347,863	-	-	1,423,745	1,347,863
Water and sewer	-	-	2,489,826	2,375,654	2,489,826	2,375,654
Interest on long-term debt	157,638	124,931	322,672	289,503	480,310	414,434
Total Expenses	<u>17,292,319</u>	<u>16,764,787</u>	<u>2,812,498</u>	<u>2,665,157</u>	<u>20,104,817</u>	<u>19,429,944</u>
Increase (Decrease) in Net Position	590,865	(48,416)	348,794	488,505	939,659	440,089
Beginning Net Position	18,752,955	18,871,546	2,942,154	2,453,649	21,695,109	21,325,195
Change in Reserve for Encumbrances	(14,981)	17,227	-	-	(14,981)	17,227
Prior Period Adjustment	-	(87,402)	-	-	-	(87,402)
Ending Net Position	<u>\$ 19,328,839</u>	<u>\$ 18,752,955</u>	<u>\$ 3,290,948</u>	<u>\$ 2,942,154</u>	<u>\$ 22,619,787</u>	<u>\$ 21,695,109</u>

Governmental activities increased the City's net position by \$575,884 for fiscal year 2014. Revenues from governmental activities totaled \$17,883,184. Other taxes comprise the largest source of these revenues, totaling \$5,865,488 or 32.8% percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$17,292,319. Education was the City's largest program with expenses totaling \$4,417,421. Public safety, which totals \$3,691,819, represents the second largest expense.

For the City's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>		<u>2013</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	\$ 1,594,556	\$ 2,207,266	\$ 1,655,022	\$ 1,799,027
Judicial administration	2,864,483	(1,687,408)	2,660,323	(1,568,917)
Public safety	3,691,819	(3,520,647)	3,611,630	(3,494,364)
Public works	2,409,765	(1,591,569)	2,412,248	(1,620,647)
Health and welfare	455,787	(455,787)	509,551	(509,551)
Education	4,417,421	(4,417,421)	4,177,366	(4,177,366)
Parks, recreation, and cultural	277,105	(277,105)	265,853	(265,853)
Community development	1,423,745	(1,423,745)	1,347,863	(1,347,863)
Interest on long-term debt	<u>157,638</u>	<u>(157,638)</u>	<u>124,931</u>	<u>(124,931)</u>
Total	<u>\$ 17,292,319</u>	<u>\$ (11,324,054)</u>	<u>\$ 16,764,787</u>	<u>\$ (11,310,465)</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of June 30, 2014, the City's Governmental Funds reported a combined ending fund balance of \$9,941,974. Approximately, 73.4 percent or \$7,293,572 is available for spending at the government's discretion (unassigned fund balance).

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$7,242,602, a restricted fund balance of \$1,055,525, and an assigned balance of \$5,632. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 41.7 percent of total fund expenditures.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>			<u>2013</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 10,245,163	\$ 10,245,163	\$ 10,670,578	\$ 9,991,329	\$ 9,991,329	\$ 10,055,353
Other	3,433,036	3,781,185	2,757,900	2,899,285	3,159,986	2,618,834
Intergovernmental	<u>5,508,191</u>	<u>5,643,282</u>	<u>4,404,422</u>	<u>5,680,171</u>	<u>5,723,322</u>	<u>4,027,502</u>
Total Revenues	19,186,390	19,669,630	17,832,900	18,570,785	18,874,637	16,701,689
Expenditures	<u>19,866,298</u>	<u>20,349,538</u>	<u>17,372,870</u>	<u>18,450,785</u>	<u>18,786,928</u>	<u>16,218,621</u>
Excess (Deficiency) of Revenues Over Expenditures	(679,908)	(679,908)	460,030	120,000	87,709	483,068
Other Financing Sources (Uses)						
Proceeds of debt	809,908	809,908	418,581	60,000	1,793,500	1,793,666
Transfer from Housing Development	<u>(130,000)</u>	<u>(130,000)</u>	<u>(158,871)</u>	<u>(180,000)</u>	<u>(1,881,209)</u>	<u>(1,437,348)</u>
Total Other Financing Sources (Uses)	<u>679,908</u>	<u>679,908</u>	<u>259,710</u>	<u>(120,000)</u>	<u>(87,709)</u>	<u>356,318</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 839,386</u>

Final amended budget revenues were more than the original budget by \$483,240.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$483,240 primarily because of increased funding for public safety.

Actual revenues were less than final budget amounts by \$1,836,730, or 9.3 percent, while actual expenditures were \$2,976,668, or 14.6 percent less than final budget amounts. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2014 include the following:

Less Than Budget	
Real property taxes	\$ 128,824
Personal property taxes	25,224
Exceeded Budget	
Delinquent taxes	274,413
Lodging taxes	88,477

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2014, the City's net investment in capital assets totals \$9,585,252, which is net capital assets less related debt for governmental activities and \$1,308,295 for business-type activities.

During fiscal year 2014, the City's net capital assets (including additions, decreases, and depreciation) decreased \$325,420, or 2.2 percent, for governmental activities and increased \$950,576, or 8.9 percent, for business-type activities, as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance</u> <u>July 1, 2013</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Land and land improvements	\$ 2,004,650	\$ -	\$ 2,004,650
Buildings and improvements	5,548,815	46,375	5,595,190
Infrastructure	16,603,257	639,256	17,242,513
Furniture, equipment, and vehicles	<u>6,990,757</u>	<u>406,022</u>	<u>7,396,779</u>
Total Capital Assets	31,147,479	1,091,653	32,239,132
Less: Accumulated depreciation and amortization	<u>(16,033,988)</u>	<u>(1,417,073)</u>	<u>(17,451,061)</u>
Total Capital Assets, Net	<u>\$ 15,113,491</u>	<u>\$ (325,420)</u>	<u>\$ 14,788,071</u>

Business-Type Activities

	<u>Balance</u> <u>July 1, 2013</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Land and land improvements	\$ 103,471	\$ -	\$ 103,471
Buildings and systems	17,347,441	136,678	17,484,119
Construction in progress	996,013	1,189,288	2,185,301
Furniture, equipment, and vehicles	<u>1,272,896</u>	<u>24,020</u>	<u>1,296,916</u>
Total Capital Assets	19,719,821	1,349,986	21,069,807
Less: Accumulated depreciation and amortization	<u>(9,125,297)</u>	<u>(399,410)</u>	<u>(9,524,707)</u>
Total Capital Assets, Net	<u>\$ 10,594,524</u>	<u>\$ 950,576</u>	<u>\$ 11,545,100</u>
Total Capital Assets, Net - City of Emporia	<u>\$ 25,708,015</u>	<u>\$ 625,156</u>	<u>\$ 26,333,171</u>

Long-Term Debt

As of June 30, 2014, the City's long-term obligations total \$15,940,331 .

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Governmental Activities			
Long-term debt	\$ 5,247,063	\$ (44,244)	\$ 5,202,819
Unfunded OPEB liability	30,642	2,286	32,928
Compensated absences	<u>331,372</u>	<u>18,361</u>	<u>349,733</u>
Total Governmental Activities	5,609,077	(23,597)	5,585,480
Business-Type Activities			
Long-term debt	9,378,776	858,029	10,236,805
Compensated absences	<u>111,602</u>	<u>6,444</u>	<u>118,046</u>
Total Business-Type Activities	<u>9,490,378</u>	<u>864,473</u>	<u>10,354,851</u>
Total Primary Government	<u>\$ 15,099,455</u>	<u>\$ 840,876</u>	<u>\$ 15,940,331</u>

More detailed information on the City's long-term obligations is presented in Note 9 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 2014 was 8.2 percent. This compares unfavorably to the state's rate of 5.4 percent and the national rate of 6.3 percent.
- According to the 2010 U. S. Census, the population in the City of Emporia, Virginia was 5,927, an increase of 4.6 percent, since the 2000 U. S. Census.
- The per capita income in the City of Emporia, Virginia was \$19,245 compared to \$32,145 for the state, according to the 2010 U. S. Census data.

The fiscal year 2015 adopted budget anticipates general fund revenues and expenditures to be \$19,496,253 , a 0.9 percent decrease over the fiscal year 2014 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to 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 .

BASIC FINANCIAL STATEMENTS



City of Emporia, Virginia

Statement of Net Position

At June 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 8,645,708	\$ 2,052,055	\$ 10,697,763
Receivables, net	972,689	468,970	1,441,659
Due from other governments	291,118	-	291,118
Other assets	1,564,683	-	1,564,683
Encumbrances outstanding	5,632	-	5,632
Capital Assets			
Land	2,004,650	103,471	2,108,121
Other capital assets, net of accumulated depreciation	<u>12,783,421</u>	<u>11,441,629</u>	<u>24,225,050</u>
Capital Assets, Net	<u>14,788,071</u>	<u>11,545,100</u>	<u>26,333,171</u>
Total Assets	<u>\$ 26,267,901</u>	<u>\$ 14,066,125</u>	<u>\$ 40,334,026</u>
Liabilities			
Accounts payable and accrued expenses	\$ 1,053,092	\$ 220,194	\$ 1,273,286
Accrued interest payable	32,257	752	33,009
Customer deposits	-	199,380	199,380
Unfunded OPEB obligation	32,928	-	32,928
Compensated absences	349,733	118,046	467,779
Unearned revenue	268,233	-	268,233
Long-Term Liabilities			
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	514,884	398,837	913,721
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	<u>4,687,935</u>	<u>9,837,968</u>	<u>14,525,903</u>
Total Liabilities	6,939,062	10,775,177	17,714,239
Net Position			
Net investment in capital assets	9,585,252	1,308,295	10,893,547
Restricted for encumbrances	5,632	-	5,632
Unrestricted	<u>9,737,955</u>	<u>1,982,653</u>	<u>11,720,608</u>
Total Net Position	<u>19,328,839</u>	<u>3,290,948</u>	<u>22,619,787</u>
Total Liabilities and Net Position	<u>\$ 26,267,901</u>	<u>\$ 14,066,125</u>	<u>\$ 40,334,026</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, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</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>	
Primary Government							
Governmental Activities							
General government administration	\$ 1,594,556	\$ 19,465	\$ 3,782,357	\$ -	\$ 2,207,266	\$ -	\$ 2,207,266
Judicial administration	2,864,483	1,177,075	-	-	(1,687,408)	-	(1,687,408)
Public safety	3,691,819	171,172	-	-	(3,520,647)	-	(3,520,647)
Public works	2,409,765	818,196	-	-	(1,591,569)	-	(1,591,569)
Health and welfare	455,787	-	-	-	(455,787)	-	(455,787)
Education	4,417,421	-	-	-	(4,417,421)	-	(4,417,421)
Parks, recreation, and cultural	277,105	-	-	-	(277,105)	-	(277,105)
Community development	1,423,745	-	-	-	(1,423,745)	-	(1,423,745)
Interest on long-term debt	<u>157,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(157,638)</u>	<u>-</u>	<u>(157,638)</u>
Total Governmental Activities	17,292,319	2,185,908	3,782,357	-	(11,324,054)	-	(11,324,054)
Business-Type Activities							
Water and Sewer Fund	<u>2,812,498</u>	<u>3,124,578</u>	<u>-</u>	<u>30,762</u>	<u>-</u>	<u>342,842</u>	<u>342,842</u>
Total Business-Type Activities	<u>2,812,498</u>	<u>3,124,578</u>	<u>-</u>	<u>30,762</u>	<u>-</u>	<u>342,842</u>	<u>342,842</u>
Total Primary Government	<u>\$ 20,104,817</u>	<u>\$ 5,310,486</u>	<u>\$ 3,782,357</u>	<u>\$ 30,762</u>	(11,324,054)	342,842	(10,981,212)
General Revenues							
Taxes							
General property taxes, real and personal					4,851,159	-	4,851,159
Other local taxes					5,865,488	-	5,865,488
Noncategorical aid from state					622,065	-	622,065
Use of property					1,803	-	1,803
Investment earnings					44,335	5,952	50,287
Miscellaneous					<u>530,069</u>	<u>-</u>	<u>530,069</u>
Total General Revenues					<u>11,914,919</u>	<u>5,952</u>	<u>11,920,871</u>
Change in Net Position					590,865	348,794	939,659
Net Position - Beginning of Year					18,752,955	3,059,657	21,812,612
Prior Period Adjustment					-	(117,503)	(117,503)
Change in Reserve for Encumbrances					<u>(14,981)</u>	<u>-</u>	<u>(14,981)</u>
Net Position - End of Year					<u>\$ 19,328,839</u>	<u>\$ 3,290,948</u>	<u>\$ 22,619,787</u>

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

City of Emporia, Virginia

Balance Sheet

Governmental Funds

At June 30, 2014

	<u>General Fund</u>	<u>Emporia Redevelopment and Housing Authority Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 8,571,527	\$ 74,181	\$ 8,645,708
Property taxes receivable, net	216,167	-	216,167
Accounts receivable	749,595	6,927	756,522
Due from other governments	291,118	-	291,118
Other assets	7,576	1,557,107	1,564,683
Encumbrances outstanding	<u>5,632</u>	<u>-</u>	<u>5,632</u>
 Total Assets	 <u>\$ 9,841,615</u>	 <u>\$ 1,638,215</u>	 <u>\$ 11,479,830</u>
Liabilities			
Accounts payable	\$ 378,751	\$ -	\$ 378,751
Accrued liabilities	<u>674,341</u>	<u>-</u>	<u>674,341</u>
 Total Liabilities	 1,053,092	 -	 1,053,092
Deferred Inflows of Resources			
Unavailable revenue - property taxes	<u>484,764</u>	<u>-</u>	<u>484,764</u>
 Total Deferred Inflows of Resources	 484,764	 -	 484,764
Fund Balance			
Restricted for			
Fire programs	166,370	-	166,370
Drug seizure	39,584	-	39,584
Courthouse security	839,004	-	839,004
DHCD - rental assistance	10,567	-	10,567
Program income projects	-	30,138	30,138
Citizen Bank building investment	-	1,557,107	1,557,107
Assigned to			
Encumbrances	5,632	-	5,632
Unassigned	<u>7,242,602</u>	<u>50,970</u>	<u>7,293,572</u>
 Total Fund Balance	 <u>8,303,759</u>	 <u>1,638,215</u>	 <u>9,941,974</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 <u>\$ 9,841,615</u>	 <u>\$ 1,638,215</u>	 <u>\$ 11,479,830</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 Position

At June 30, 2014

Total Fund Balances for Governmental Funds		\$ 9,941,974
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 2,004,650	
Buildings and improvements, net of accumulated depreciation	3,073,001	
Furniture, equipment, and vehicles, net of accumulated depreciation	1,719,964	
Infrastructure, net of accumulated depreciation	<u>7,990,456</u>	
Total Capital Assets		14,788,071
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes		216,531
Liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Balances of long-term liabilities affecting net position are as follows:		
Bonds and notes payable	(5,202,819)	
Accrued interest payable	(32,257)	
Unfunded OPEB obligation	(32,928)	
Compensated absences	<u>(349,733)</u>	
Total		<u>(5,617,737)</u>
Total Net Position of Governmental Activities		<u>\$ 19,328,839</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, 2014

	<u>General Fund</u>	<u>Emporia Redevelopment and Housing Authority Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 4,805,090	\$ -	4,805,090
Other local taxes	5,865,488	-	5,865,488
Permits, privilege fees, and regulatory licenses	19,465	-	19,465
Fines and forfeitures	1,177,075	-	1,177,075
Use of money and property	45,864	274	46,138
Charges for services	989,368	-	989,368
Miscellaneous	8,878	-	8,878
Recovered costs	517,250	3,941	521,191
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	4,104,597	-	4,104,597
Revenue from the Federal Government	299,825	-	299,825
Total Revenues	<u>17,832,900</u>	<u>4,215</u>	<u>17,837,115</u>
Expenditures			
Current			
General government administration	1,284,349	-	1,284,349
Judicial administration	2,864,483	-	2,864,483
Public safety	3,491,460	-	3,491,460
Public works	2,543,802	-	2,543,802
Health and welfare	455,787	-	455,787
Education - public school system	4,417,421	-	4,417,421
Parks, recreation, and cultural	277,105	-	277,105
Community development	1,413,875	9,870	1,423,745
Debt service	624,588	-	624,588
Total Expenditures	<u>17,372,870</u>	<u>9,870</u>	<u>17,382,740</u>
Excess (Deficiency) of Revenues Over Expenditures	460,030	(5,655)	454,375
Other Financing Sources (Uses)			
Transfer in (out) from (to) other funds	(158,871)	128,409	(30,462)
Proceeds of notes	418,581	-	418,581
Total Other Financing Sources (Uses)	<u>259,710</u>	<u>128,409</u>	<u>388,119</u>
Net Change in Fund Balance	719,740	122,754	842,494
Fund Balance - Beginning of Year	7,599,000	1,032,995	8,631,995
Prior Period Adjustment	-	482,466	482,466
Change in Encumbrances	<u>(14,981)</u>	<u>-</u>	<u>(14,981)</u>
Fund Balance - End of Year	<u>\$ 8,303,759</u>	<u>\$ 1,638,215</u>	<u>\$ 9,941,974</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, 2014

Net Change in Fund Balances - Total Governmental Funds	\$	842,494
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.		(325,420)
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements but recognized in the Statement of Activities.		46,069
Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.		
Debt issued	\$ (418,581)	
Repayments on debt	624,588	
Interest expense	<u>(157,638)</u>	
Net Adjustment		48,369
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	(18,361)	
Unfunded OPEB obligation	<u>(2,286)</u>	
Net Adjustment		<u>(20,647)</u>
Change in Net Position of Governmental Activities	\$	<u>590,865</u>

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

City of Emporia, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2014

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

Assets**Current Assets**

Cash and investments	\$ 2,052,055
Receivables, net	<u>468,970</u>
Total Current Assets	2,521,025

Noncurrent Assets

Capital assets, net	<u>11,545,100</u>
Total Noncurrent Assets	<u>11,545,100</u>
Total Assets	<u>\$ 14,066,125</u>

Liabilities**Current Liabilities**

Accounts payable	\$ 220,194
Accrued expenses	752
Short-term portion of debt	<u>398,837</u>
Total Current Liabilities	619,783

Noncurrent Liabilities

Compensated absences	118,046
Customer deposits	199,380
Long-term debt	<u>9,837,968</u>
Total Noncurrent Liabilities	<u>10,155,394</u>
Total Liabilities	10,775,177

Net Position

Net investment in capital assets	1,308,295
Unrestricted	<u>1,982,653</u>
Total Net Position	<u>3,290,948</u>
Total Liabilities and Net Position	<u>\$ 14,066,125</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 Net Position

Proprietary Funds

Year Ended June 30, 2014

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Operating Revenues	
Charges for services, net	\$ 2,853,729
Penalties income	88,832
Miscellaneous	<u>182,017</u>
Total Operating Revenues	3,124,578
Operating Expenses	
Personnel services and benefits	1,129,351
Maintenance, supplies, and vehicle expenses	461,991
Utilities	184,579
Chemicals	90,777
Depreciation	399,410
Other charges	<u>223,718</u>
Total Operating Expenses	<u>2,489,826</u>
Operating Income	634,752
Nonoperating Revenues (Expenses)	
Interest income	5,952
Interest expense	<u>(322,672)</u>
Total Nonoperating Revenues (Expenses)	<u>(316,720)</u>
Income Before Operating Transfers	318,032
Operating Transfers	<u>30,762</u>
Change in Net Position	348,794
Prior Period Adjustment	(117,503)
Total Net Position - Beginning of Year	<u>3,059,657</u>
Total Net Position - End of Year	<u>\$ 3,290,948</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, 2014

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,817,936
Other receipts	182,017
Payments to personnel and suppliers	<u>(2,105,366)</u>
Net Cash Provided by Operating Activities	894,587
Cash Flows from Capital and Related Financing Activities	
Purchases and construction of capital assets	(1,349,986)
Proceeds from the issuance of debt	5,732,322
Principal paid on capital debt	(4,874,316)
Interest paid on capital debt	<u>(322,672)</u>
Net Cash Used in Capital and Related Financing Activities	(814,652)
Cash Flows from Investing Activities	
Interest income	5,952
Operating transfers	<u>30,762</u>
Net Cash Provided by Capital and Related Investing Activities	36,714
Net Increase in Cash and Cash Equivalents	116,649
Cash and Cash Equivalents - Beginning of Year	<u>1,935,406</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,052,055</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 634,752
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	399,410
Changes in assets and liabilities	
Receivables, net	(124,625)
Accounts payable and accrued expenses	(19,707)
Compensated absences	6,444
Customer deposits	<u>(1,687)</u>
Net Cash Provided by Operating Activities	<u>\$ 894,587</u>

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

City of Emporia, Virginia

Notes to the Financial Statements

Year Ended June 30, 2014

1 Summary of Significant Accounting Policies

Narrative Profile

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

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

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

1-A. Financial Reporting Entity

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

Inclusions in the Reporting Entity

Blended Component Units

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 \$4,345,671 during fiscal year 2014.

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 \$181,566 during fiscal year 2014 to the Department.

Southside Regional Jail Authority

The Southside Regional Jail Authority was created by the participating localities of the City of Emporia, Virginia and the County of Greensville, Virginia in May 1995. The jail is considered a jointly governed organization of the localities with each locality represented on the Board of the Authority. The City appropriated \$1,187,518 during fiscal year 2014 to the Authority for services rendered.

1-B. Financial Reporting Model

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

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

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the City's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The fiduciary funds of the primary government are not included in the government-wide financial statements.

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

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

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

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

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

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

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

1-C. Financial Statement Presentation

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

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the City's major governmental funds:

Major Governmental Funds

General Fund – The General Fund is the primary operating fund of the City and accounts for all revenues and expenditures applicable to the general operations of the City which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.

Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds consist of the Emporia Redevelopment and Housing Authority Fund.

Capital Projects Funds – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The City has no Capital Projects Funds at this time.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The City has one enterprise fund, the Water and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that the cost of providing services to the general public be financed or recovered through user charges.

Fiduciary Funds – (Trust and Agency Funds) – Fiduciary funds account for assets held by the City in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. Agency Funds consist of the following:

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

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within

60 days after year end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and, subsequently, remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the City.

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

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

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

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

1-E-1 Cash and Cash Equivalents

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

1-E-2 Investments

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

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

1-E-3 Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$31,168 at June 30 for property taxes.

General Fund - taxes receivable	\$ 31,168
General Fund - accounts receivable	281,940

Real and Personal Property Tax Data

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

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

The City bills and collects its own property taxes.

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 beginning on January 1.

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists primarily of roads and bridges. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

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

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

1-E-6 Deferred Outflows/Inflows of Resources

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

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

1-E-7 Compensated Absences

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

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

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

1-E-8 Retirement Plan

Retirement plan contributions are actuarially determined for the Virginia Retirement System (VRS) and consist of current service costs and amortization of prior service cost over a 30-year period. The City's policy is to fund pension cost at the actuarially determined rates.

1-E-9 Other Postemployment Benefits Plans

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

1-E-10 Fund Equity

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

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

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

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

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

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

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

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

1-E-11 Operating Revenues and Expenses

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

1-E-12 Interfund Activity

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

1-E-13 Long-Term Obligations

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

1-E-14 Estimates

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

2 **Stewardship, Compliance, and Accountability**

Budgets and Budgetary Accounting

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

Budgetary Data

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

1. Prior to May 1, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the City Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures Exceeded Appropriations in the Following Funds at June 30, 2014

No expenditures exceeded appropriations.

Fund Deficits

No funds had fund deficits.

3 Deposits and Investments

Deposits

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

Investments

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

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

The following is a summary of cash and cash equivalents:

<u>Asset Type</u>	<u>Balance June 30, 2014</u>		
Petty cash		\$	1,100
Deposit accounts			<u>10,696,663</u>
Total Cash and Cash Equivalents		\$	<u>10,697,763</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 8,645,708</u>	<u>\$ 2,052,055</u>	<u>\$ 10,697,763</u>

4 Receivables

Receivables at June 30, 2014 consist of the following:

	<u>General</u>	<u>Business-Type Activities</u>
Property taxes	\$ 373,359	\$ -
Utility taxes	32,157	-
Sanitation fees	69,113	-
Meals and lodging taxes	346,106	-
Court fines	-	-
Other	448,210	853
Water and sewer	-	497,163
Grant proceeds receivable	-	107,333
Local organizations	<u>16,852</u>	<u>-</u>
 Total	 1,285,797	 605,349
Allowance for uncollectibles	<u>(313,108)</u>	<u>(136,379)</u>
 Net Receivables	 <u>\$ 972,689</u>	 <u>\$ 468,970</u>

5 Due to/from Other Funds

Details of the primary government interfund receivables and payables as of June 30, 2014 are as follows:

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

6 Due from Other Governmental Units

Details of the City's receivables from other governmental units, as of June 30, 2014, are as follows:

	<u>General</u>
County of Greenville, Virginia	
School Board - Education	\$ 224,725
Other	<u>8,668</u>
 Total County of Greenville, Virginia	 233,393
 Commonwealth of Virginia	 50,463
 Other	 <u>7,262</u>
 Total	 <u>\$ 291,118</u>

7 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 2,004,650	\$ -	\$ -	\$ 2,004,650
Total Capital Assets Not Being Depreciated	2,004,650	-	-	2,004,650
Other Capital Assets				
Buildings and improvements	5,548,815	46,375	-	5,595,190
Infrastructure	16,603,257	639,256	-	17,242,513
Furniture, equipment, and vehicles	6,990,757	406,022	-	7,396,779
Total Other Capital Assets	29,142,829	1,091,653	-	30,234,482
Less: Accumulated depreciation for				
Buildings and improvements	2,377,365	144,824	-	2,522,189
Infrastructure	8,585,521	666,536	-	9,252,057
Furniture, equipment, and vehicles	5,071,102	605,713	-	5,676,815
Total Accumulated Depreciation	16,033,988	1,417,073	-	17,451,061
Other Capital Assets, Net	13,108,841	(325,420)	-	12,783,421
Net Capital Assets	\$ 15,113,491	\$ (325,420)	\$ -	\$ 14,788,071
Depreciation Expense was Allocated to				
General government administration	\$ 270,152			
Public safety	512,791			
Public works	634,130			
Total	\$ 1,417,073			

Business-Type Activities

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 103,471	\$ -	\$ -	\$ 103,471
Total Capital Assets Not Being Depreciated	103,471	-	-	103,471
Other Capital Assets				
Buildings and systems	17,347,441	136,678	-	17,484,119
Construction in progress	996,013	1,189,288	-	2,185,301
Furniture, equipment, and vehicles	1,272,896	24,020	-	1,296,916
Total Other Capital Assets	19,616,350	1,349,986	-	20,966,336
Less: Accumulated depreciation for				
Buildings and systems	8,121,154	337,149	-	8,458,303
Furniture, equipment, and vehicles	1,004,143	62,261	-	1,066,404
Total Accumulated Depreciation	9,125,297	399,410	-	9,524,707
Other Capital Assets, Net	10,491,053	950,576	-	11,441,629
Net Capital Assets	<u>\$ 10,594,524</u>	<u>\$ 950,576</u>	<u>\$ -</u>	<u>\$ 11,545,100</u>

8 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 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 54 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 up to a maximum of \$5,000 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 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 \$349,733 in the governmental activities. The balance in the business-type activities is \$118,046.

9 Long-Term Debt

PRIMARY GOVERNMENT

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

<u>Year(s) Ended June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>General Bonds Payable</u>		<u>Principal</u>	<u>Interest</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 512,516	\$ 148,089	\$ 398,837	\$ 203,320
2016	507,979	134,336	349,413	254,820
2017	329,287	95,175	345,297	245,402
2018	334,817	112,501	357,661	235,915
2019	295,344	102,892	369,766	226,101
2020-2024	935,924	416,190	2,049,940	971,226
2025-2029	974,978	276,204	2,431,175	670,467
2030-2034	1,051,145	114,369	2,621,550	320,028
2035 and thereafter	260,829	8,344	1,313,166	141,607
Unfunded OPEB	32,928	-	-	-
Compensated absences	349,733	-	118,046	-
Total	<u>\$ 5,585,480</u>	<u>\$ 1,408,100</u>	<u>\$ 10,354,851</u>	<u>\$ 3,268,886</u>

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 SRJA refinanced this debt on September 19, 2012 with Series 2012 Revenue Refunding Bond in the amount of \$4,569,600.

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental Activities					
General Fund					
USDA note dated November 16, 2010 with payments of \$393 of interest and principal due monthly commencing December 16, 2010 and ending November 16, 2015. Interest rate is fixed at 3.75% per annum.	\$ 10,830	\$ -	\$ 4,391	\$ 6,439	\$ 4,552
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)	2,048,955	-	55,955	\$ 1,993,000	58,193
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.	72,984	-	10,484	\$ 62,500	11,015
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)	486,362	-	157,356	\$ 329,006	162,273
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 on 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)	60,461	-	60,461	-	2,368
Installment Purchase Contract with First Citizens Bank in the amount of \$60,166 entered into on September 28, 2012 with interest at 1.95% due and payable in monthly installments commencing November 1, 2012 and continuing to maturity on October 1, 2015.	45,453	-	19,956	25,497	20,348
Note with USDA; principal amount \$460,160 dated November 3, 2011; payments of \$4,607 beginning on December 3, 2011 through November 3, 2021 at 3.75%.	399,086	-	42,163	356,923	42,554

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bond, Series 2012B, with SunTrust Bank, principal amount of \$1,733,500 issued November 12, 2012 with interest at 3.86 percent due semi-annually on February 15 and August 15 of each year with an annual principal payment due on February 15 of each year.	1,733,500	-	59,000	1,674,500	61,500
Note with BB&T, principal amount \$462,820 dated March 24, 2012 with monthly payments of \$5,846 beginning May 24, 2012 and ending April 24, 2019 of principal and interest at 1.69%.	389,432	-	64,065	325,367	65,156
Capital lease with BB&T for the purchase of two police vehicles beginning on September 9, 2013 with monthly payments of \$1,707.58 ending on September 19, 2016 at 1.58%.	-	60,000	14,735	45,265	19,920
Note for boat launch and canoe/kayak launch, \$200,000 at 3.75% for 5 years commencing on November 20, 2013.	-	200,000	21,444	178,556	37,850
Note with First Citizens Bank for public works equipment in the amount of \$126,282 at 1.85% for 60 months commencing December 2, 2013 with payments of \$2,205.16 per month.	-	126,282	12,110	114,172	24,557
General fund portion of GO Refunding Bond with Carter Bank and Trust for \$4,770,500 issued June 16, 2014 at 3.15%. Interest payments are due semiannually on January 15 and July 15 of each year with an annual principal payment due on July 15. Bond matures on July 15, 2034.	-	91,594	-	91,594	4,598
Unfunded OPEB obligation	30,642	2,286	-	32,928	
Compensated Absences - General Fund	<u>331,372</u>	<u>18,361</u>	<u>-</u>	<u>349,733</u>	
Total Governmental Activities	5,609,077	498,523	522,120	5,585,480	514,884

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Business-Type Activities					
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)	45,937	-	14,844	31,093	15,327
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.	1,641,500	-	1,641,500	-	-
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)	4,535,091	-	123,849	4,411,242	128,803
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. (Water & Sewer Fund Portion)	3,094,123	-	3,094,123	-	-
Series 2012A General Obligation & Revenue Water System Bonds at 2 percent; interest only for first 24 months, paid annually then 456 monthly payments of \$5,769.	62,125	1,053,439	-	1,115,564	19,805

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Water and sewer portion of GO Refunding Bond with Carter Bank and Trust for \$4,770,500 issued June 16, 2014 at 3.15%. Interest payments are do semiannually on January 15 and July 15 of each year with an annual principal payment due on July 15. Bond matures on July 15, 2034.	-	4,678,906	-	4,678,906	234,902
Compensated Absences - Enterprise Fund	<u>111,602</u>	<u>6,444</u>	<u>-</u>	<u>118,046</u>	<u>-</u>
Total Business-Type Activities	<u>9,490,378</u>	<u>5,738,789</u>	<u>4,874,316</u>	<u>10,354,851</u>	<u>398,837</u>
Total Primary Government	<u>\$ 15,099,455</u>	<u>\$ 6,237,312</u>	<u>\$ 5,396,436</u>	<u>\$ 15,940,331</u>	<u>\$ 913,721</u>

10 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2014 is determined as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>
Net Investment in Capital Assets		
Cost of capital assets	\$ 32,239,132	\$ 21,069,807
Less: Accumulated depreciation	<u>17,451,061</u>	<u>9,524,707</u>
Book value	14,788,071	11,545,100
Less: Capital related debt	<u>5,202,819</u>	<u>10,236,805</u>
Net Investment in Capital Assets	<u>\$ 9,585,252</u>	<u>\$ 1,308,295</u>

11 Deferred Inflows of Resources

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

Primary Government - Deferred Inflows of Resources

General Fund

Delinquent taxes not collected within 60 days	\$ 216,167
Prepaid property taxes - property taxes paid in advance	<u>268,597</u>
Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 484,764</u>

12 Risk Management

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

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

13 Commitments and Contingencies

Federal programs in which the City participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

14 Litigation

At June 30, 2014, there were no matters of litigation involving the City which would materially affect the City's financial position should any court decisions or pending matters not be favorable to such entities.

15 Legal Compliance

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	<u>\$ 365,526,400</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 36,552,640
Amount of Debt Applicable to Debt Limit	
General obligation debt	<u>14,331,344</u>
Legal Debt Margin	<u>\$ 22,221,296</u>

16 Surety Bond Information

The following constitutional and appointed officers are insured through the Commonwealth of Virginia, Department of the Treasury, and Division of Risk Management in effect at June 30, 2014:

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

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

17 Pension Plan

A. Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has different eligibility and benefit structures as set out in the table below:

VRS PLAN 1

About VRS Plan 1

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

VRS PLAN 2

About VRS Plan 2

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

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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

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

Eligible Members

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

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**Non-Eligible Members*

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

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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

**VRS
PLAN 1**

Retirement Contributions

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

Creditable Service

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

Vesting

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

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

**VRS
PLAN 2**

Retirement Contributions

Same as VRS Plan 1.

Creditable Service

Same as VRS Plan 1.

Vesting

Same as VRS Plan 1.

**HYBRID
RETIREMENT PLAN**

Retirement Contributions

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

Creditable Service

Defined Benefit Component:

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

Defined Contribution Component:

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

Vesting

Defined Benefit Component:

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

Defined Contribution Component:

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

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

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

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

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

**VRS
PLAN 1**

Calculating the Benefit

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

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

Average Final Compensation

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

Service Retirement Multiplier

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

Normal Retirement Age

Age 65.

Earliest Unreduced Retirement Eligibility

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility

Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

**VRS
PLAN 2**

Calculating the Benefit

See definition under VRS Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

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

Normal Retirement Age

Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility

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

**HYBRID
RETIREMENT PLAN**

Calculating the Benefit

Defined Benefit Component:
See definition under VRS Plan 1.

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

Average Final Compensation

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

Service Retirement Multiplier

The retirement multiplier is 1.0%.

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

Normal Retirement Age

Defined Benefit Component:
Same as VRS Plan 2.

Defined Contribution Component:
Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:
Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component:
Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

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

Defined Contribution Component:
Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**VRS
PLAN 1**

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

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

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

Exceptions to COLA Effective Dates:

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

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

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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

**VRS
PLAN 2**

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

Same as VRS Plan 1

Exceptions to COLA Effective Dates:

Same as VRS Plan 1

Disability Coverage

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

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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

**HYBRID
RETIREMENT PLAN**

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as VRS Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as VRS Plan 1 and VRS Plan 2

Exceptions to COLA Effective Dates:

Same as VRS Plan 1 and VRS Plan 2

Disability Coverage

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

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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

**VRS
PLAN 1**

Purchase of Prior Service

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

**VRS
PLAN 2**

Purchase of Prior Service

Same as VRS Plan 1

**HYBRID
RETIREMENT PLAN**

Purchase of Prior Service

Defined Benefit Component:
Same as VRS Plan 1

Defined Contribution Component:
Not applicable

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2013_-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 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 compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. 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 2014 was **11.68%** of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, City's annual pension cost of **\$575,249** was equal to the City's required and actual contributions.

Three-Year Trend Information for City

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 571,112	100.0%	\$ -
June 30, 2013	574,822	100.0%	-
June 30, 2014	575,249	100.0%	-

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of **7.00%**, (b) projected salary increases ranging from **3.75% to 5.60%** per year for general government employees, **3.75% to 6.20%** per year for teachers, 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 for Plan 1 employees and **2.25%** for Plan 2 employees. 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. City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was **79.23%** funded. The actuarial accrued liability for benefits was **\$21,867,130**, and the actuarial value of assets was **\$17,491,102**, resulting in an unfunded actuarial accrued liability (UAAL) of **\$4,376,028**. The covered payroll (annual payroll of active employees covered by the plan) was **\$4,145,931** and ratio of the UAAL to the covered payroll was **105.5%**.

The schedule of funding progress, presented below, 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, 2011	\$ 16,937,967	\$ 21,379,113	\$ 4,441,146	79.23%	\$ 3,844,645	115.52%
June 30, 2012	16,830,451	21,784,553	4,954,102	77.26%	3,743,026	132.36%
June 30, 2013	17,491,102	21,867,130	4,376,028	79.99%	4,145,931	105.55%

This information presented in the above 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, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Payroll Growth Rate	3.00%
Remaining Amortization Period	30 years (decreasing by one each year in subsequent valuations until reaching 0 years)
Asset Valuation Method	Five-Year Smoothed Market Value
Actuarial Assumptions	
a. Investment Rate of Return*	7.00%
b. Projected Salary Increases*	
1) Non-LEO Members	3.50% - 5.35%
2) LEO Members	3.50% - 4.75%
c. Cost-of-Living Adjustment	
1) Plan 1 Members	2.50%
2) Plan 2 Members	2.25%

*Includes inflation of 2.5%

18 Other Postemployment Benefits (OPEB)–Healthcare

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, 2014. 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	\$ 546	\$ 1,010	\$ 1,474
Anthem KA Expanded	630	1,166	1,701
Medicare Supplement	127	254	N/A

C. Employer Contributions

Non-Medicare Eligible Retirees – The City contributes \$524.16 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, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar
Amortization Period	6 years (2 years remaining)
Asset Valuation Method	N/A
Actuarial Assumptions	
Investment rate of return	3.5% annual returns net of both investment and non-actuarial administrative expenses.
Medical Cost Trend Assumption	<i>Health:</i> Getzen Trend Model - 6.00% for 2014 - 2015 5.40% for 2015 - 2016 5.30% for 2016 - 2017 5.20% for 2017 - 2019
Payroll Growth	N/A

Net OPEB Obligations and Annual OPEB Cost

This summary identifies the value of benefits at June 30, 2014 and costs for the fiscal years through June 30, 2014 reflecting the unfunded approach, utilizing a discount rate of 4 percent (10-Year Phase In), and amortizing the Unfunded Actuarial Accrued Liability as a level dollar amount. A summary of the net OPEB obligation is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Interest on OPEB Obligation</u>	<u>Adjustment to ARC</u>	<u>Net OPEB Cost at End of FY</u>	<u>Contributions for FY</u>	<u>Change in Net OPEB Obligation</u>	<u>Net OPEB Obligation End of FY</u>
6/30/2010	\$ 30,000	\$ -	\$ -	\$ 30,000	\$ 24,274	\$ 5,726	\$ 5,726
6/30/2011	38,900	229	(1,286)	37,843	27,390	10,453	16,179
6/30/2012	37,900	647	(4,457)	34,090	24,019	10,071	26,250
6/30/2013	35,300	1,050	(9,459)	26,891	22,499	4,392	30,642
6/30/2014	44,800	1,072	(16,130)	29,742	27,456	2,286	32,928

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	80.91%	\$ 24,274
6/30/2011	37,843	72.38%	27,390
6/30/2012	34,090	70.46%	24,019
6/30/2013	26,891	83.67%	22,499
6/30/2014	29,742	92.31%	27,456

Required Supplementary Information

<u>Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) - Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
6/30/2010	\$ -	\$163,600	\$163,600	0.00%	\$ -	N/A
6/30/2011	-	180,100	180,100	0.00%	-	N/A
6/30/2014	-	88,100	88,100	0.00%	-	N/A

19 Fund Balances – Governmental Funds

As of June 30, 2014, fund balances are composed of the following:

	<u>Primary Government</u>		
	<u>General Fund</u>	<u>Emporia Redevelopment and Housing Authority Fund</u>	<u>Total Governmental Funds</u>
Restricted for			
Fire program	\$ 166,370	\$ -	\$ 166,370
Drug seizure	39,584	-	39,584
Courthouse security	839,004	-	839,004
DHCD - rental assistance	10,567	-	10,567
Program income projects	-	30,138	30,138
Citizens Bank building investment	-	1,557,107	1,557,107
	<u>1,055,525</u>	<u>1,587,245</u>	<u>2,642,770</u>
Assigned for			
Encumbrances	5,632	-	5,632
Unassigned	<u>7,242,602</u>	<u>50,970</u>	<u>7,293,572</u>
Total Fund Balances	<u>\$8,303,759</u>	<u>\$ 1,638,215</u>	<u>\$ 9,941,974</u>

20 Implementation of GASB Statement No. 65

The City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year ended June 30, 2014. These statements required changes in account captions in the Statement of Net Position and Governmental Funds Balance Sheet.

21 Prior Period Adjustment

- 1) Due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the balance of unamortized bond issuance costs (\$117,503) at June 30, 2014 was adjusted through a prior period adjustment in the fiscal year ended June 30, 2014. Any subsequent periods presented have been adjusted to reflect the change.
- 2) The City of Emporia through the Emporia Redevelopment and Housing Authority (ERHA) Fund has entered into an arrangement to rehabilitate an old banking structure in the downtown district. The arrangement includes the acquisition of historical credits by investors through various entities to help fund the project.

In the year ending June 30, 2013, the presentation used a consolidated method for expenditures for this project. Since Emporia is now a minority owner, the financial statements are being restated to reflect its investment in the project. Once the project has been completed, the various entities involved in the project will be closed and the assets will be dispersed according to the various investors' capital accounts.

The prior period adjustment of \$482,466 reflects expenditures made on the project through the governmental funds. This along with \$954,882 in cash were reallocated to the other assets category on the governmental funds presentation for the ERHA.

The government wide presentation did not require a prior period adjustment with \$482,466 worth of construction in process being reallocated from capital expenditures along with \$954,822 worth of cash to the other assets category on the government-wide presentation for governmental activities. Subsequent disbursements to and receipts from this project will be made through this account.

REQUIRED SUPPLEMENTARY INFORMATION



City of Emporia, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2014

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 3,028,099	\$ 3,028,099	\$ 2,899,275	\$ (128,824)
Personal property taxes	1,150,000	1,150,000	1,233,711	83,711
Public service corporation property taxes	173,064	173,064	199,894	26,830
Delinquent taxes	120,000	120,000	394,413	274,413
Penalties and interest on taxes	55,000	55,000	77,797	22,797
Total General Property Taxes	4,526,163	4,526,163	4,805,090	278,927
Other Local Taxes				
Local sales and use taxes	1,400,000	1,400,000	1,374,776	(25,224)
Consumers' utility taxes	395,000	395,000	394,631	(369)
Business license taxes	720,000	720,000	721,380	1,380
Motor vehicle licenses	115,000	115,000	117,862	2,862
Bank stock taxes	120,000	120,000	133,662	13,662
Tax on recordation and wills	25,000	25,000	46,501	21,501
Lodging taxes	1,000,000	1,000,000	1,088,477	88,477
Meals taxes	1,669,000	1,669,000	1,721,812	52,812
Emergency 911 taxes	275,000	275,000	266,387	(8,613)
Total Other Local Taxes	5,719,000	5,719,000	5,865,488	146,488
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	2,400	2,400	2,110	(290)
Planning and zoning	4,000	4,000	2,890	(1,110)
Building permits	35,000	35,000	14,200	(20,800)
Other permits, licenses, and fees	500	500	265	(235)
Total Permits, Privilege Fees, and Regulatory Licenses	41,900	41,900	19,465	(22,435)
Fines and Forfeitures	1,110,000	1,110,000	1,177,075	67,075
Revenue from Use of Money and Property				
Revenue from use of money	35,000	35,000	44,061	9,061
Revenue from use of property	15,025	15,025	1,803	(13,222)
Total Revenue from Use of Money and Property	50,025	50,025	45,864	(4,161)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Charges for Services				
Charges for fire services	120,000	151,220	171,117	19,897
Charges for animal control	-	-	55	55
Charges for sanitation and waste removal	<u>794,500</u>	<u>794,500</u>	<u>818,196</u>	<u>23,696</u>
Total Charges for Services	914,500	945,720	989,368	43,648
Recovered Costs				
From Greensville County, Virginia	46,000	46,000	74,900	28,900
Insurance refunds	-	3,200	3,200	-
Other recovered costs	<u>446,616</u>	<u>446,616</u>	<u>439,150</u>	<u>(7,466)</u>
Total Recovered Costs	492,616	495,816	517,250	21,434
Miscellaneous				
	<u>823,995</u>	<u>1,137,724</u>	<u>8,878</u>	<u>(1,128,846)</u>
Total Miscellaneous	823,995	1,137,724	8,878	(1,128,846)
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Auto rental taxes	30,000	30,000	24,946	(5,054)
Rolling stock taxes - motor vehicle carriers tax	10,000	10,000	13,602	3,602
Personal Property Tax Relief	570,319	570,319	570,319	-
Recordation and grantors' tax - State	<u>8,513</u>	<u>8,513</u>	<u>13,198</u>	<u>4,685</u>
Total Noncategorical Aid	618,832	618,832	622,065	3,233
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Sheriff	142,137	142,137	141,533	(604)
Commissioner of the Revenue	63,981	63,981	63,831	(150)
Treasurer	64,463	64,463	64,333	(130)
Registrar/Electoral Board	28,232	28,232	27,422	(810)
Law enforcement grants	205,671	238,876	238,877	1
State sales tax - education	1,013,043	1,013,043	973,157	(39,886)
Street and highway maintenance	1,043,026	1,043,026	1,052,673	9,647
Family violence prevention	108,650	108,650	109,942	1,292
Virginia Juvenile Community Crime Control	93,819	100,598	102,612	2,014
Criminal justice service - Victim Witness	59,496	59,496	56,618	(2,878)
Other State funds	<u>1,515,552</u>	<u>1,577,720</u>	<u>651,534</u>	<u>(926,186)</u>
Total Categorical Aid	4,338,070	4,440,222	3,482,532	(957,690)
Total Revenue from the Commonwealth of Virginia	4,956,902	5,059,054	4,104,597	(954,457)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenue from the Federal Government				
Department of Health - Sexual Assault Grant	47,789	47,789	46,397	(1,392)
Other Federal funds	<u>503,500</u>	<u>536,439</u>	<u>253,428</u>	<u>(283,011)</u>
Total Revenue from the Federal Government	<u>551,289</u>	<u>584,228</u>	<u>299,825</u>	<u>(284,403)</u>
Total Intergovernmental Revenues	<u>5,508,191</u>	<u>5,643,282</u>	<u>4,404,422</u>	<u>(1,238,860)</u>
Total Revenues	19,186,390	19,669,630	17,832,900	(1,836,730)
Expenditures				
Current				
<i>General Government Administration</i>				
Legislative	168,945	168,945	166,492	2,453
City Manager	454,648	458,898	435,011	23,887
Legal services	48,900	48,900	35,607	13,293
Commissioner of Revenue	215,363	215,363	211,719	3,644
Equalization Board	41,661	41,661	39,652	2,009
Treasurer	102,488	102,488	99,468	3,020
Director of Finance	206,117	206,117	205,573	544
Data processing	30,936	26,500	26,224	276
Board of Elections	<u>78,889</u>	<u>78,889</u>	<u>64,603</u>	<u>14,286</u>
Total General Government Administration	1,347,947	1,347,761	1,284,349	63,412
<i>Judicial Administration</i>				
Circuit Court - shared services	2,087,336	2,158,184	2,157,791	393
Juvenile and Domestic Relations Court	144,289	144,156	132,778	11,378
Sheriff	254,927	254,927	241,617	13,310
Family violence	156,439	165,756	158,068	7,688
Victim Witness	61,292	61,292	62,700	(1,408)
VJCCC Grant	<u>102,736</u>	<u>109,515</u>	<u>111,529</u>	<u>(2,014)</u>
Total Judicial Administration	2,807,019	2,893,830	2,864,483	29,347
<i>Public Safety</i>				
Police Department	3,078,352	3,150,680	3,062,001	88,679
Volunteer Fire Department	217,999	443,135	278,428	164,707
Ambulance and rescue service	45,376	50,041	50,041	-
Animal control	68,519	68,519	65,896	2,623
Emergency services	<u>96,475</u>	<u>96,475</u>	<u>35,094</u>	<u>61,381</u>
Total Public Safety	3,506,721	3,808,850	3,491,460	317,390

	<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	1,779,196	1,924,196	1,229,008	695,188
Refuse collection	727,091	735,457	689,210	46,247
Engineering	118,396	118,396	117,526	870
City Shop	165,994	165,994	163,723	2,271
General buildings and grounds	394,631	638,211	344,335	293,876
Total Public Works	<u>3,185,308</u>	<u>3,582,254</u>	<u>2,543,802</u>	<u>1,038,452</u>
<i>Health and Welfare</i>				
Local health	77,880	77,880	77,880	-
Mental Health and Mental Retardation	39,471	39,471	39,471	-
Comprehensive services	104,034	104,034	104,034	-
Mosquito control	3,988	3,988	3,377	611
Welfare and social services	188,133	188,133	231,025	(42,892)
Total Health and Welfare	<u>413,506</u>	<u>413,506</u>	<u>455,787</u>	<u>(42,281)</u>
<i>Education</i>				
Superintendent	500	500	500	-
Contract services (shared costs)	4,385,556	4,345,671	4,415,742	(70,071)
Community Colleges	1,179	1,179	1,179	-
Total Education	<u>4,387,235</u>	<u>4,347,350</u>	<u>4,417,421</u>	<u>(70,071)</u>
<i>Parks, Recreation, and Cultural</i>				
Parks and recreation	199,031	202,031	184,570	17,461
Regional library	92,535	92,535	92,535	-
Total Parks, Recreation, and Cultural	<u>291,566</u>	<u>294,566</u>	<u>277,105</u>	<u>17,461</u>
<i>Community Development</i>				
Zoning Board	458,076	427,696	372,383	55,313
Economic development	2,705,448	2,474,017	913,823	1,560,194
Airport Commission	92,200	93,400	93,400	-
Cooperative Extension Program	37,575	37,575	34,269	3,306
Total Community Development	<u>3,293,299</u>	<u>3,032,688</u>	<u>1,413,875</u>	<u>1,618,813</u>
<i>Debt Service</i>				
	<u>633,697</u>	<u>628,733</u>	<u>624,588</u>	<u>4,145</u>
Total Expenditures	<u>19,866,298</u>	<u>20,349,538</u>	<u>17,372,870</u>	<u>2,976,668</u>
Excess (Deficiency) of Revenues Over Expenditures	(679,908)	(679,908)	460,030	1,139,938

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Other Financing Sources (Uses)				
Transfers in (out) from (to) other funds	(130,000)	(130,000)	(158,871)	(28,871)
Proceeds of debt	<u>809,908</u>	<u>809,908</u>	<u>418,581</u>	<u>(391,327)</u>
Total Other Financing Sources (Uses)	<u>679,908</u>	<u>679,908</u>	<u>259,710</u>	<u>(420,198)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	719,740	<u>\$ 719,740</u>
Fund Balance - Beginning of Year			7,599,000	
Change in Encumbrances			<u>(14,981)</u>	
Fund Balance - End of Year			<u>\$ 8,303,759</u>	

Emporia Redevelopment and Housing Authority Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Recovered costs	\$ 4,849	\$ 4,849	\$ 3,941	\$ (908)
Use of money and property	415	415	-	(415)
Other revenue	<u>69,136</u>	<u>69,136</u>	<u>-</u>	<u>(69,136)</u>
 Total Revenues	 74,400	 74,400	 3,941	 (70,459)
Expenditures				
Community Development	<u>74,400</u>	<u>74,400</u>	<u>-</u>	<u>74,400</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	3,941	3,941
Other Financing Sources (Uses)				
Transfer from General Fund	<u>-</u>	<u>-</u>	<u>128,409</u>	<u>128,409</u>
 Change in Fund Balance	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 132,350</u>	 <u>\$ 132,350</u>

COMPLIANCE SECTION





**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA
Nadia A. Rogers, CPA*

*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Kimberly N. Walker, CPA*

Sherwood H. Creedle, Emeritus

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

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

To the City Council
City of Emporia, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of City of Emporia, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Emporia, Virginia’s basic financial statements, and have issued our report thereon dated March 10, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Creedle, Jones & Alga, P.C." with a small vertical line to the right of the signature.

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

South Hill, Virginia
March 10, 2015



**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA
Nadia A. Rogers, CPA*

*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Kimberly N. Walker, CPA*

Sherwood H. Creedle, Emeritus

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

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the City Council
City of Emporia, Virginia

Report on Compliance for Each Major Federal Program

We have audited City of Emporia, Virginia’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Emporia, Virginia’s major federal programs for the year ended June 30, 2014. City of Emporia, Virginia’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of City of Emporia, Virginia’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, OMB Circular A-133, and specifications require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Emporia, Virginia’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Emporia, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of City of Emporia, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Emporia, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Emporia, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
March 10, 2015

City of Emporia, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	<u>Expenditures</u>
U. S. Department of Transportation			
Pass-Through Payments			
<i>Virginia Department of Transportation</i> Federal Aid Projects	20.205	501	\$ 354,415
<i>Virginia Department of Motor Vehicles</i> Highway Safety	20.607	154	<u>13,622</u>
Subtotal - U. S. Department of Transportation			368,037
U. S. Department of Housing and Urban Development			
Pass-Through Payments			
<i>Office of Community Planning and Development</i> Community Development Block Grants/State's Programs	14.228	165	<u>226,171</u>
Subtotal - U. S. Department of Housing and Urban Development			226,171
U. S. Department of Homeland Security			
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Emergency Management</i> Emergency Management Performance Grants Local Emergency Management Performance Grant No. LEMPG 10	97.042	127	<u>10,285</u>
Subtotal - U. S. Department of Homeland Security			10,285
U. S. Department of Justice			
Direct Payments			
<i>Bureau of Justice Assistance</i> Bulletproof Vest Partnership	16.607	N/A	1,907
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Criminal Justice Services</i> Byrne Justice Assistance Grant, 13-G1216LO12	16.738	140	9,717
Victim Witness Assistance Grant Program 14-T8567VG13	16.575	140	56,618
Sexual Assault Grant Program 14-O3465SA13	16.575	140	46,397
Sexual Assault Services Program 14-A3123OT13	16.017	140	<u>1,728</u>
Subtotal - U. S. Department of Justice			<u>116,367</u>
Grand Totals			<u>\$ 720,860</u>

Notes to Schedule of Expenditures of Federal Awards

1. Significant Accounting Policies

Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the Schedule of Expenditures of Federal Awards.

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the City were determined using a risk-based approach in accordance with OMB Circular A-133.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs.

2. Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental Federal Revenues per the Basic Financial Statements

Primary Government

General Fund	\$ 299,542
State Revenues - Pass-Through Funds	
VDOT Federal Aid Projects	354,415
Department of Emergency Management Funds	10,285
Victim Witness Assistance Grants	<u>56,618</u>
Total Primary Government	<u>720,860</u>
Total Federal Expenditures per Basic Financial Statements	<u>\$ 720,860</u>
Total Federal Expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 720,860</u>

City of Emporia, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

1. SUMMARY OF AUDITOR'S RESULTS

- a. The auditor's report expresses an **unmodified opinion** on the financial statements of City of Emporia, Virginia.
- b. **No deficiencies** relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- c. **No instances of noncompliance** material to the financial statements of City of Emporia, Virginia were disclosed during the audit.
- d. **No deficiencies** relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
- e. The auditor's report on compliance for the major federal award programs for City of Emporia, Virginia expresses an **unmodified opinion** on all major federal programs.
- f. There were **no audit findings** relative to the major federal award programs for City of Emporia, Virginia to be reported in this schedule.
- g. The programs tested as major programs included:
 - CFDA #20.205, Federal Aid Projects**
 - CFDA #14.228, Community Development Block Grants/State's Programs**
- h. The **threshold for** distinguishing Types A and B programs was **\$300,000**.
- i. City of Emporia, Virginia was determined **not** to be a **low-risk auditee**.

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

None

3. Findings and Questioned Costs Relating to Federal Awards

None

City of Emporia, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2014

FINANCIAL STATEMENTS

There were no prior audit findings.