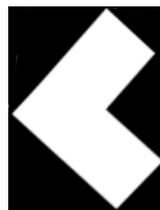


City of Emporia, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2008



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

City of Emporia, Virginia

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FINANCIAL SECTION





**Creedle
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A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Emporia, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Emporia, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Emporia, Virginia, as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of the City of Emporia, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Emporia, Virginia's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
December 5, 2008

Reissued January 30, 2009

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, 2008. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the City's financial statements.

Financial Highlights for Fiscal Year 2008

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the City exceeded its liabilities by \$17,282,531. Of this amount, \$3,307,608 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 total governmental activities were \$17,900,932 and expenses amounted to \$18,104,635. The City's total net assets decreased \$317,196, after inclusion of changes in encumbrances and prior period adjustments.

Highlights for Fund Financial Statements

- As of June 30, 2008, the City Governmental Funds reported combined fund balances of \$3,583,714, a decrease of \$344,971 in comparison with the prior year. Approximately 99.37 percent of the combined fund balances, \$3,593,628, is available to meet the City's current and future needs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

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

The government-wide statements are divided into the following two categories:

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

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

Fund Financial Statements

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

Governmental Funds - Most of the City's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). The General Fund is the main operating account of the City and, therefore, the largest of the Governmental Funds. The Capital Projects Fund accounts for the construction and debt repayment of Market Drive and Commonwealth Boulevard. These are the only two Governmental Funds of the City at this time.

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

Summary of Net Assets

As of June 30, 2008 and 2007

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets						
Current and other assets	\$ 4,306,477	\$ 4,317,772	\$ 818,963	\$ 1,095,297	\$ 5,125,440	\$ 5,413,069
Capital assets (net)	<u>17,988,858</u>	<u>18,207,243</u>	<u>11,074,102</u>	<u>11,318,530</u>	<u>29,062,960</u>	<u>29,525,773</u>
Total Assets	<u>\$ 22,295,335</u>	<u>\$ 22,525,015</u>	<u>\$ 11,893,065</u>	<u>\$ 12,413,827</u>	<u>\$ 34,188,400</u>	<u>\$ 34,938,842</u>
Liabilities						
Other liabilities	\$ 730,448	\$ 399,105	\$ 468,384	\$ 721,573	\$ 1,198,832	\$ 1,120,678
Long-term liabilities	<u>4,712,837</u>	<u>5,229,465</u>	<u>10,994,200</u>	<u>10,988,972</u>	<u>15,707,037</u>	<u>16,218,437</u>
Total Liabilities	<u>5,443,285</u>	<u>5,628,570</u>	<u>11,462,584</u>	<u>11,710,545</u>	<u>16,905,869</u>	<u>17,339,115</u>
Net Assets						
Invested in capital assets, net of related debt	13,790,700	13,216,626	160,199	432,977	13,950,899	13,649,603
Reserved for encumbrances	24,024	12,233	-	-	24,024	12,233
Unrestricted	<u>3,037,326</u>	<u>3,667,586</u>	<u>270,282</u>	<u>270,305</u>	<u>3,307,608</u>	<u>3,937,891</u>
Total Net Assets	<u>16,852,050</u>	<u>16,896,445</u>	<u>430,481</u>	<u>703,282</u>	<u>17,282,531</u>	<u>17,599,727</u>
Total Liabilities and Net Assets	<u>\$ 22,295,335</u>	<u>\$ 22,525,015</u>	<u>\$ 11,893,065</u>	<u>\$ 12,413,827</u>	<u>\$ 34,188,400</u>	<u>\$ 34,938,842</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 thereof) is recorded as a long-term liability and an asset of the City. The net assets of the total financial reporting entity best represent the entity's financial position. In the case of the City's reporting entity, assets exceeded liabilities by \$17,282,531 at June 30, 2008. The largest portion of the reporting entity's net assets, \$13,950,899 reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition. Net assets which are unrestricted total \$3,307,608.

Statement of Activities

The following table summarizes revenues and expenses for the City as of June 30, 2008:

Summary of Changes in Net Assets

For the Fiscal Years Ended June 30, 2008 and 2007

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Government</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenues						
Program Revenues						
Charges for services	\$ 1,671,997	\$ 1,466,614	\$ 2,203,125	\$ 2,099,374	\$ 3,875,122	\$ 3,565,988
Operating grants and contributions	3,045,797	2,782,844	-	-	3,045,797	2,782,844
General Revenues						
General property taxes, real and personal	4,099,906	3,975,337	-	-	4,099,906	3,975,337
Other taxes	5,272,225	5,118,174	-	-	5,272,225	5,118,174
Noncategorical aid from state	586,577	456,859	-	-	586,577	456,859
Use of property	16,623	5,624	-	-	16,623	5,624
Investment earnings	162,297	86,375	40,985	32,666	203,282	119,041
Miscellaneous	777,716	760,556	23,684	5,272	801,400	765,828
Total Revenues	15,633,138	14,652,383	2,267,794	2,137,312	17,900,932	16,789,695
Expenses						
General government administration	1,749,716	1,728,103	-	-	1,749,716	1,728,103
Judicial administration	1,873,868	1,735,944	-	-	1,873,868	1,735,944
Public safety	3,506,993	3,217,133	-	-	3,506,993	3,217,133
Public works	2,581,935	2,700,376	-	-	2,581,935	2,700,376
Health and welfare	533,343	373,905	-	-	533,343	373,905
Education	3,908,035	3,949,889	-	-	3,908,035	3,949,889
Parks, recreation, and cultural	251,937	245,961	-	-	251,937	245,961
Community development	916,149	694,238	-	-	916,149	694,238
Water and sewer	-	-	2,151,120	2,250,669	2,151,120	2,250,669
Interest on long-term debt	180,315	217,989	451,224	439,096	631,539	657,085
Total Expenses	15,502,291	14,863,538	2,602,344	2,689,765	18,104,635	17,553,303
Increase (Decrease) in Net Assets	130,847	(211,155)	(334,550)	(552,453)	(203,703)	(763,608)
Beginning Net Assets	16,896,445	18,665,781	703,282	(127,218)	17,599,727	18,538,563
Change in Reserve for Encumbrances	11,791	(23,749)	-	(9,399)	11,791	(33,148)
Prior Year Adjustment	(187,033)	(1,584,319)	61,749	1,442,239	(125,284)	(142,080)
Transfers	-	49,887	-	(49,887)	-	-
Ending Net Assets	\$ 16,852,050	\$ 16,896,445	\$ 430,481	\$ 703,282	\$ 17,282,531	\$ 17,599,727

Governmental activities increased the City's net assets by \$130,847. Revenues from governmental activities totaled \$15,633,138. Taxes comprise the largest source of these revenues, totaling \$9,372,131, or 60.0 percent, of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$15,502,291. Education continues to be the City's largest program and highest priority with expenses totaling \$3,908,035. Public Safety expenses, which total \$3,506,993, represent the second largest expense, followed by Public Works expenses which total \$2,581,935.

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, 2008 and 2007

	<u>2008</u>		<u>2007</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	\$ 1,749,716	\$ 1,342,718	\$ 1,728,103	\$ 1,067,212
Judicial administration	1,873,868	(904,595)	1,735,944	(888,079)
Public safety	3,506,993	(3,506,993)	3,217,133	(3,217,133)
Public works	2,581,935	(1,940,577)	2,700,376	(2,124,281)
Health and welfare	533,343	(533,343)	373,905	(373,905)
Education	3,908,035	(3,908,035)	3,949,889	(3,949,889)
Parks, recreation, and cultural	251,937	(251,937)	245,961	(245,961)
Community development	916,149	(901,420)	694,238	(664,055)
Interest on long-term debt	<u>180,315</u>	<u>(180,315)</u>	<u>217,989</u>	<u>(217,989)</u>
Total	<u>\$ 15,502,291</u>	<u>\$ (10,784,497)</u>	<u>\$ 14,863,538</u>	<u>\$ (10,614,080)</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As of June 30, 2008, the City's Governmental Funds reported a combined ending fund balance of \$3,617,652, a decrease of \$344,971 in comparison with the prior year. Approximately 99.33 percent or \$3,593,628 is available for spending at the government's discretion (unreserved/ undesignated fund balance).

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the General Fund had an unreserved fund balance of \$3,412,569 and a reserved fund balance of \$24,024. The General Fund's liquidity can be measured by comparing both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21.50 percent of total fund expenditures, while total fund balance represents 21.65 percent of that same amount.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2008 and 2007

	<u>2008</u>			<u>2007</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	\$ 9,387,639	\$ 9,387,639	\$ 9,372,131	\$ 8,716,099	\$ 8,716,099	\$ 9,093,511
Other	2,248,525	3,082,724	2,623,075	2,178,131	2,364,068	2,313,914
Intergovernmental	<u>3,471,741</u>	<u>3,843,558</u>	<u>3,617,645</u>	<u>3,450,415</u>	<u>3,728,534</u>	<u>3,130,357</u>
Total Revenues	<u>15,107,905</u>	<u>16,313,921</u>	<u>15,612,851</u>	14,344,645	14,808,701	14,537,782
Expenditures						
	<u>15,107,905</u>	<u>16,313,921</u>	<u>15,871,829</u>	<u>14,278,064</u>	<u>15,051,596</u>	<u>14,468,055</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(258,978)	66,581	(242,895)	69,727
Other Financing Sources (Uses)						
Transfers from (to) other funds	-	-	-	(66,581)	-	49,887
Proceeds of debt	<u>-</u>	<u>-</u>	<u>74,873</u>	<u>-</u>	<u>242,895</u>	<u>242,895</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>74,873</u>	<u>(66,581)</u>	<u>242,895</u>	<u>292,782</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (184,105)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,509</u>

The final amended budget appropriations, including expenditures, exceeded the original appropriation by \$1,206,016.

Actual revenues were \$701,070, or 4.3 percent less than final budget amounts, while actual expenditures were \$442,092, or 2.7 percent less than final budget amounts. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2008, include the following:

Less Than Budget

Real property taxes	\$ 290,889
Local sales and use taxes	201,140

Exceeded Budget

Business licenses	83,787
Lodging taxes	53,423

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2008, the City's investment in capital assets totals \$13,950,899 which is net capital assets less related debt.

During fiscal year 2008, the City's net capital assets (including additions, decreases, and depreciation) for business type activities decreased \$244,428 or 2.2 percent, as summarized below:

Change in Capital Assets

Governmental Activities

	<u>Balance June 30, 2007</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2008</u>
Land and land improvements	\$ 1,626,975	\$ -	\$ 1,626,975
Buildings and improvements	5,071,858	213,470	5,285,328
Infrastructure	16,382,773	130,263	16,513,036
Furniture, equipment, and vehicles	<u>3,928,100</u>	<u>621,240</u>	<u>4,549,340</u>
Total Capital Assets	27,009,706	964,973	27,974,679
Less: Accumulated depreciation and amortization	<u>(8,802,463)</u>	<u>(1,183,358)</u>	<u>(9,985,821)</u>
Total Capital Assets, Net	<u>\$ 18,207,243</u>	<u>\$ (218,385)</u>	<u>\$ 17,988,858</u>

Business-Type Activities

	<u>Balance June 30, 2007</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2008</u>
Land and land improvements	\$ 102,471	\$ -	\$ 102,471
Buildings and systems	17,236,532	17,777	17,254,309
Furniture, equipment, and vehicles	<u>831,683</u>	<u>126,564</u>	<u>958,247</u>
Total Capital Assets	18,170,686	144,341	18,315,027
Less: Accumulated depreciation and amortization	<u>(6,852,156)</u>	<u>(388,769)</u>	<u>(7,240,925)</u>
Total Capital Assets, Net	<u>\$ 11,318,530</u>	<u>\$ (244,428)</u>	<u>\$ 11,074,102</u>

Long-Term Debt

As of June 30, 2008, the City's long-term obligations total \$15,454,625 exclusive of compensated absences.

	<u>Balance June 30, 2007</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2008</u>
Governmental Activities			
Long-term debt	\$ 4,990,617	\$ (530,192)	\$ 4,460,425
Compensated absences	<u>238,848</u>	<u>13,564</u>	<u>252,412</u>
Total Governmental Activities	5,229,465	(516,628)	4,712,837
Business-Type Activities			
Long-term debt	10,988,972	5,228	10,994,200
Compensated absences	<u>89,287</u>	<u>5,282</u>	<u>94,569</u>
Total Business-Type Activities	<u>11,078,259</u>	<u>10,510</u>	<u>11,088,769</u>
Total Primary Government	<u>\$ 16,307,724</u>	<u>\$ (506,118)</u>	<u>\$ 15,801,606</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the City of Emporia, Virginia in June 2008 was 7.9 percent. This was higher than the state's rate of 4.2 percent and the national rate of 5.7 percent.
- According to the 2000 U. S. Census, the population in the City of Emporia, Virginia was 5,665, an increase of 6.8 percent, since the 1990 U. S. Census.
- The per capita income in the City of Emporia, Virginia was \$15,377 compared to \$23,975 for the state, according to the 2000 U. S. Census data.

The fiscal year 2009 adopted budget anticipates General Fund revenues and expenditures to be \$15,767,633, a 3.35 percent decrease over the fiscal year 2008 budget. Revenues are comprised primarily of General Property Taxes at 25.63 percent with Other Local Taxes comprising 34.91 percent. The City's expenditures on Education continue to be the largest expenditure area at 26.86 percent of total expenditures with Public Safety at 19.89 percent.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



City of Emporia, Virginia

Statement of Net Assets

At June 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 3,400,407	\$ 498,474	\$ 3,898,881
Receivables, net	569,354	156,261	725,615
Due from other governments	302,343	-	302,343
Other assets	10,349	164,228	174,577
Encumbrances outstanding	24,024	-	24,024
Capital Assets			
Land	1,626,975	102,471	1,729,446
Other capital assets, net of accumulated depreciation	<u>16,361,883</u>	<u>10,971,631</u>	<u>27,333,514</u>
Capital Assets, Net	<u>17,988,858</u>	<u>11,074,102</u>	<u>29,062,960</u>
 Total Assets	 <u>\$ 22,295,335</u>	 <u>\$ 11,893,065</u>	 <u>\$ 34,188,400</u>
Liabilities			
Accounts payable and accrued expenses	\$ 412,708	\$ 118,126	\$ 530,834
Accrued interest payable	41,623	88,660	130,283
Customer deposits	-	167,029	167,029
Compensated absences	252,412	94,569	346,981
Deferred revenue	276,117	-	276,117
Long-Term Liabilities			
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	452,460	378,384	830,844
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	<u>4,007,965</u>	<u>10,615,816</u>	<u>14,623,781</u>
 Total Liabilities	 5,443,285	 11,462,584	 16,905,869
Net Assets			
Invested in capital assets, net of related debt	13,790,700	160,199	13,950,899
Restricted for encumbrances	24,024	-	24,024
Unrestricted	<u>3,037,326</u>	<u>270,282</u>	<u>3,307,608</u>
 Total Net Assets	 <u>16,852,050</u>	 <u>430,481</u>	 <u>17,282,531</u>
 Total Liabilities and Net Assets	 <u>\$ 22,295,335</u>	 <u>\$ 11,893,065</u>	 <u>\$ 34,188,400</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, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General government administration	\$ 1,749,716	\$ 61,366	\$ 3,031,068	\$ -	\$ 1,342,718	\$ -	\$ 1,342,718
Judicial administration	1,873,868	969,273	-	-	(904,595)	-	(904,595)
Public safety	3,506,993	-	-	-	(3,506,993)	-	(3,506,993)
Public works	2,581,935	641,358	-	-	(1,940,577)	-	(1,940,577)
Health and welfare	533,343	-	-	-	(533,343)	-	(533,343)
Education	3,908,035	-	-	-	(3,908,035)	-	(3,908,035)
Parks, recreation, and cultural	251,937	-	-	-	(251,937)	-	(251,937)
Community development	916,149	-	14,729	-	(901,420)	-	(901,420)
Interest on long-term debt	180,315	-	-	-	(180,315)	-	(180,315)
Total Governmental Activities	15,502,291	1,671,997	3,045,797	-	(10,784,497)	-	(10,784,497)
Business-Type Activities							
Water and Sewer Fund	2,602,344	2,226,809	-	-	-	(375,535)	(375,535)
Total Business-Type Activities	2,602,344	2,226,809	-	-	-	(375,535)	(375,535)
Total Primary Government	\$ 18,104,635	\$ 3,898,806	\$ 3,045,797	\$ -	(10,784,497)	(375,535)	(11,160,032)
General Revenues							
Taxes							
General property taxes, real and personal					4,099,906	-	4,099,906
Other local taxes					5,272,225	-	5,272,225
Noncategorical aid from state					586,577	-	586,577
Use of property					16,623	-	16,623
Investment earnings					162,297	40,985	203,282
Miscellaneous					777,716	-	777,716
Total General Revenues					10,915,344	40,985	10,956,329
Change in Net Assets					130,847	(334,550)	(203,703)
Net Assets - Beginning of Year					16,896,445	703,282	17,599,727
Change in Reserve for Encumbrances					11,791	-	11,791
Prior Year Adjustment					(187,033)	61,749	(125,284)
Net Assets - End of Year					\$ 16,852,050	\$ 430,481	\$ 17,282,531

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

City of Emporia, Virginia

Balance Sheet

Governmental Funds

At June 30, 2008

	<u>General Fund</u>	<u>Housing Authority Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 3,242,591	\$ 157,816	\$ 3,400,407
Property taxes receivable, net	119,087	-	119,087
Accounts receivable	427,023	23,243	450,266
Due from other governments	302,343	-	302,343
Other assets	10,349	-	10,349
Encumbrances outstanding	<u>24,024</u>	<u>-</u>	<u>24,024</u>
Total Assets	<u>\$ 4,125,417</u>	<u>\$ 181,059</u>	<u>\$ 4,306,476</u>
Liabilities			
Accounts payable	\$ 314,796	\$ -	\$ 314,796
Accrued liabilities	97,910	-	97,910
Deferred revenue	<u>276,118</u>	<u>-</u>	<u>276,118</u>
Total Liabilities	688,824	-	688,824
Fund Balance			
Designated			
Reserved for encumbrances	24,024	-	24,024
Unreserved/Undesignated	<u>3,412,569</u>	<u>181,059</u>	<u>3,593,628</u>
Total Fund Balance	<u>3,436,593</u>	<u>181,059</u>	<u>3,617,652</u>
Total Liabilities and Fund Balance	<u>\$ 4,125,417</u>	<u>\$ 181,059</u>	<u>\$ 4,306,476</u>

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

City of Emporia, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

At June 30, 2008

Total fund balances for Governmental Funds		\$	3,617,652
Total net assets reported for governmental activities in the Statement of Net Assets is different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:			
Land			1,626,975
Buildings and improvements, net of accumulated depreciation			3,611,116
Furniture, equipment, and vehicles, net of accumulated depreciation			5,310,460
Infrastructure, net of accumulated depreciation			<u>7,440,307</u>
Total Capital Assets			17,988,858
Liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.			
Balances of long-term liabilities affecting net assets are as follows:			
Bonds and notes payable			(4,460,425)
Accrued interest payable			(41,623)
Compensated absences			<u>(252,412)</u>
Total			<u>(4,754,460)</u>
Total net assets of governmental activities		\$	<u><u>16,852,050</u></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, 2008

	General Fund	Housing Authority Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 4,099,906	\$ -	\$ 4,099,906
Other local taxes	5,272,225	-	5,272,225
Permits, privilege fees, and regulatory licenses	61,366	-	61,366
Fines and forfeitures	969,273	-	969,273
Use of money and property	173,363	5,558	178,921
Charges for services	641,357	-	641,357
Miscellaneous	446,691	-	446,691
Recovered costs	331,025	-	331,025
<i>Intergovernmental</i>			
Revenue from the Commonwealth of Virginia	3,532,428	14,729	3,547,157
Revenue from the Federal Government	<u>85,217</u>	<u>-</u>	<u>85,217</u>
Total Revenues	15,612,851	20,287	15,633,138
Expenditures			
Current			
General government administration	1,407,505	-	1,407,505
Judicial administration	1,886,748	-	1,886,748
Public safety	3,935,369	-	3,935,369
Public works	2,351,792	-	2,351,792
Health and welfare	533,343	-	533,343
Education - public school system	3,908,035	-	3,908,035
Parks, recreation, and cultural	251,937	-	251,937
Community development	910,238	5,911	916,149
Debt service	<u>686,862</u>	<u>-</u>	<u>686,862</u>
Total Expenditures	<u>15,871,829</u>	<u>5,911</u>	<u>15,877,740</u>
Excess (Deficiency) of Revenues Over Expenditures	(258,978)	14,376	(244,602)
Other Financing Sources (Uses)			
Proceeds of notes	<u>74,873</u>	<u>-</u>	<u>74,873</u>
Total Other Financing Sources (Uses)	<u>74,873</u>	<u>-</u>	<u>74,873</u>
Net Change in Fund Balance	(184,105)	14,376	(169,729)
Fund Balance - Beginning of Year	3,795,940	166,683	3,962,623
Change in Encumbrances	11,791	-	11,791
Prior Period Adjustment	<u>(187,033)</u>	<u>-</u>	<u>(187,033)</u>
Fund Balance - End of Year	<u>\$ 3,436,593</u>	<u>\$ 181,059</u>	<u>\$ 3,617,652</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, 2008

Net change in fund balances - total Governmental Funds		\$ (169,729)
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.		(218,385)
Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Assets.		
Debt issued	(74,873)	
Repayments on debt	<u>605,065</u>	
Net Adjustment		530,192
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	(13,564)	
Interest payable	<u>2,333</u>	
Net Adjustment		<u>(11,231)</u>
Change in net assets of governmental activities		<u>\$ 130,847</u>

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

City of Emporia, Virginia

Statement of Net Assets

Proprietary Funds

At June 30, 2008

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

Assets**Current Assets**

Cash and investments	\$ 498,474
Receivables, net	<u>156,261</u>
Total Current Assets	654,735

Noncurrent Assets

Unamortized bond issue costs	164,228
Capital assets, net	<u>11,074,102</u>
Total Noncurrent Assets	<u>11,238,330</u>
Total Assets	<u><u>\$ 11,893,065</u></u>

Liabilities**Current Liabilities**

Accounts payable	\$ 118,126
Accrued expenses	88,660
Short-term portion of debt	<u>378,384</u>
Total Current Liabilities	585,170

Noncurrent Liabilities

Compensated absences	94,569
Customer deposits	167,029
Long-term debt	<u>10,615,816</u>
Total Noncurrent Liabilities	<u>10,877,414</u>
Total Liabilities	11,462,584

Net Assets

Invested in capital assets, net of related debt	160,199
Unrestricted	<u>270,282</u>
Total Net Assets	<u>430,481</u>
Total Liabilities and Net Assets	<u><u>\$ 11,893,065</u></u>

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

City of Emporia, Virginia

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

Proprietary Funds

Year Ended June 30, 2008

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

Operating Revenues

Charges for services, net	\$ 2,139,634
Penalties income	63,491
Miscellaneous	<u>23,684</u>

Total Operating Revenues 2,226,809

Operating Expenses

Personal services and benefits	1,043,519
Maintenance, supplies, and vehicle expenses	233,734
Utilities	177,033
Chemicals	85,184
Depreciation	388,769
Other charges	<u>222,881</u>

Total Operating Expenses 2,151,120

Operating Income 75,689

Nonoperating Revenues (Expenses)

Interest income	40,985
Interest expense	<u>(451,224)</u>

Total Nonoperating Revenues (Expenses) (410,239)

Income (Loss) Before Operating Transfers (334,550)

Operating Transfers In (Out) -

Change in Net Assets (334,550)

Total Net Assets - Beginning of Year 703,282

Prior Period Adjustment 61,749

Total Net Assets - End of Year \$ 430,481

City of Emporia, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2008

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,201,801
Other receipts	23,684
Payments to personnel and suppliers	<u>(1,825,522)</u>
Net Cash Provided by Operating Activities	399,963
Cash Flows from Noncapital Financing Activities	
Funds from (paid to) other funds	<u>-</u>
Net Cash Used in Noncapital Financing Activities	-
Cash Flows from Capital and Related Financing Activities	
Purchases and construction of capital assets	(144,341)
Proceeds from debt	4,107,051
Bond issuance costs and other costs	(58,850)
Principal paid on capital debt	(4,101,823)
Interest paid on capital debt	<u>(451,224)</u>
Net Cash Used in Capital and Related Financing Activities	(649,187)
Cash Flows from Investing Activities	
Interest income	<u>40,985</u>
Net Decrease in Cash and Cash Equivalents	(208,239)
Cash and Cash Equivalents - Beginning of Year	<u>706,713</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 498,474</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income	\$ 75,689
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	388,769
Amortization expense	12,646
Changes in assets and liabilities	
Receivables, net	(1,325)
Accounts payable and accrued expenses	(90,892)
Compensated absences	5,282
Customer deposits	<u>9,794</u>
Net Cash Provided by Operating Activities	<u><u>\$ 399,963</u></u>

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

City of Emporia, Virginia

Notes to Financial Statements

Year Ended June 30, 2008

1 Summary of Significant Accounting Policies

Narrative Profile

The City of Emporia, Virginia (the "City") has a population of approximately 5,700 living within its corporate limits. The City is located in the Southside area in Southeastern Virginia. The City is governed by an appointed City Manager and a seven-member City Council with each serving administrative and legislative functions.

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

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

A. *The Financial Reporting Entity*

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

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

—Management's Discussion and Analysis: GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

—Government-wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

- Statement of Net Assets: The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted ; and 3) unrestricted .
- Statement of Program Activities: The government -wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
- Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government’s original budget to the current comparison of final budget and actual results for its major funds.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. The City has no component units at this time.

Inclusions in the Reporting Entity

Blended Component Units

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

Exclusions from the Reporting Entity

Jointly Governed Organizations

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

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

Greensville County School Board

The Greensville County School Board provides educational services to the City of Emporia, Virginia and the County of Greensville, Virginia. The two localities provide annual contributions for operations and capital improvements based upon an agreed-upon shared services agreement. The City appoints two representatives to a six-member School Board, with the remaining representatives coming from the County of Greensville, Virginia. The City appropriated to the School Board \$4,007,707 during fiscal year 2008.

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 \$202,694 during fiscal year 2008 to the Department.

Southside Regional Jail Authority

The Southside Regional Jail Authority was created by the participating localities of the City of Emporia, Virginia and the County of Greensville, Virginia in May 1995. The jail is considered a jointly governed organization of the localities with each locality equally represented on the Board of the Authority. The City appropriated \$576,600 during fiscal year 2008 to the Authority for services rendered.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

The City's Fiduciary Fund is presented in the fund financial statements by type (agency). Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the City in fiscal year 2008:

1. *Governmental Funds*

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

- a. General Fund – The General Fund is the primary operating fund of the City and accounts for all revenues and expenditures applicable to the general operations of the City which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes.
- b. Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the Emporia Redevelopment and Housing Authority Fund.
- c. Debt Service Funds – The City does not account for its debt service in a separate fund. The debt is paid from either the General Fund or the Capital Projects Fund.
- d. Capital Projects Funds – Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. The City has no Capital Projects Funds at this time.

2. *Proprietary Funds*

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

- a. Enterprise Funds – Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that the cost of providing services to the general public be financed or recovered through user charges. The Enterprise Fund consists of the Water and Sewer Fund.
- b. Internal Service Funds – Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City government on a cost-reimbursement basis. Internal Service Funds are not used by the City at this time.

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

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency Funds utilize the modified accrual basis of accounting described in the Governmental Funds presentation. The Private Purpose Trust and Agency Funds consist of the following:

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

C. Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

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

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Encumbrances

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

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

1. Prior to April 1, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments. Work sessions among the City Council are conducted on the budget.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance.
4. The Appropriations Ordinance places legal restrictions on expenditures at the fund, function, and departmental level. The appropriation for each fund, function, and department can be revised only by the City Council.
5. The City legally adopted budgets for the General Fund.

The City may adopt budgets for other funds, such as the Agency Funds, for use as a management control device over such funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30 for all City funds.
8. All budget data presented in the accompanying financial statements is the original budget as of June 30, 2008, as adopted, appropriated, and legally amended.

E. Cash and Cash Equivalents

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

F. Investments

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

G. Allowance for Uncollectible Accounts

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. Using these methods, the allowance amounted to approximately \$336,775 at June 30, 2008 and is composed of the following:

General Fund - taxes receivable	\$ 50,437
General Fund - accounts receivable	286,338

H. Capital Assets

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

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

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

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

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

I. Compensated Absences

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

J. Use of Estimates

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

K. Long-Term Obligations

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

2 Cash and Investments

Deposits

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

Investments

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

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

The following is a summary of pooled cash and investments at June 30, 2008:

	Carrying Amount
Total Deposits	\$ 3,897,781
Cash on Hand	<u>1,100</u>
All Cash - City	<u>\$ 3,898,881</u>

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2008:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	<u>\$ 3,400,407</u>	<u>\$ 498,474</u>	<u>\$ 3,898,881</u>

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

3 Property Taxes

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

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

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

Real estate taxes for calendar year 2007 were levied by the City Council in September 2007 on the assessed value listed as of January 1, 2007. Personal property taxes for calendar year 2007 were levied by the City Council in June 2007 on the assessed value listed as of January 1, 2007.

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

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

4 Receivables

Receivables at June 30, 2008 consist of the following:

	<u>Governmental Activities</u>			
	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Business-Type Activities</u>
Property taxes	\$ 169,524	\$ -	\$ 169,524	\$ -
Utility taxes	21,473	-	21,473	-
Sanitation fees	42,886	-	42,886	-
Other	650,237	-	650,237	19,409
Water and sewer	-	-	-	302,147
Local organizations	<u>22,009</u>	<u>-</u>	<u>22,009</u>	<u>-</u>
Total	906,129	-	906,129	321,556
Allowance for uncollectibles	<u>(336,775)</u>	<u>-</u>	<u>(336,775)</u>	<u>(165,295)</u>
Net Receivables	<u>\$ 569,354</u>	<u>\$ -</u>	<u>\$ 569,354</u>	<u>\$ 156,261</u>

5 Due from Other Governmental Units

	<u>Governmental Activities</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
County of Greenville, Virginia			
School Board - Education	\$ 261,167	\$ -	\$ 261,167
Social Services	-	-	-
Total County of Greenville	261,167	-	261,167
Commonwealth of Virginia			
	41,176	-	41,176
Total	<u>\$ 302,343</u>	<u>\$ -</u>	<u>\$ 302,343</u>

6 Interfund Balances and Activity

Balance due to/from other funds at June 30, 2008:

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

7 Capital Assets

Governmental Activities

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,626,975	\$ -	\$ -	\$ 1,626,975
Total Capital Assets Not Being Depreciated	1,626,975	-	-	1,626,975
Other Capital Assets				
Buildings and improvements	5,071,858	213,470	-	5,285,328
Infrastructure	16,382,773	130,263	-	16,513,036
Furniture, equipment, and vehicles	3,928,100	621,240	-	4,549,340
Total Other Capital Assets	25,382,731	964,973	-	26,347,704
Less: Accumulated depreciation for				
Buildings and improvements	1,546,227	127,985	-	1,674,212
School buildings and improvements	8,403,790	668,939	-	9,072,729
Furniture, equipment, and vehicles	(1,147,554)	386,434	-	(761,120)
Total Accumulated Depreciation	8,802,463	1,183,358	-	9,985,821
Other Capital Assets, Net	16,580,268	(218,385)	-	16,361,883
Net Capital Assets	<u>\$ 18,207,243</u>	<u>\$ (218,385)</u>	<u>\$ -</u>	<u>\$ 17,988,858</u>
Depreciation Expense was Allocated to				
General government administration	\$ 328,646			
Public safety	264,307			
Public works	590,405			
Total	<u>\$ 1,183,358</u>			

Business-Type Activities

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 102,471	\$ -	\$ -	\$ 102,471
Total Capital Assets Not Being Depreciated	102,471	-	-	102,471
Other Capital Assets				
Buildings and systems	17,236,532	17,777	-	17,254,309
Furniture, equipment, and vehicles	831,683	126,564	-	958,247
Total Other Capital Assets	18,068,215	144,341	-	18,212,556
Less: Accumulated depreciation for				
Buildings and systems	6,096,554	350,499	-	6,447,053
Furniture, equipment, and vehicles	755,602	38,270	-	793,872
Total Accumulated Depreciation	6,852,156	388,769	-	7,240,925
Other Capital Assets, Net	11,216,059	(244,428)	-	10,971,631
Net Capital Assets	\$ 11,318,530	\$ (244,428)	\$ -	\$ 11,074,102
Depreciation expense was allocated to water and sewer		\$ 388,769		

8 Long-Term Debt

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

Year(s) Ended June 30,	Governmental Activities General Bonds Payable		Business-Type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 462,864	\$ 168,864	\$ 381,562	\$ 427,748
2010	423,452	155,289	394,482	412,139
2011	313,710	135,323	324,970	395,463
2012-2016	1,209,602	519,252	1,496,958	1,799,326
2017-2021	476,185	366,106	2,889,074	1,429,691
2022-2026	430,079	280,240	1,699,932	954,000
2027 and thereafter	1,144,533	260,808	3,807,222	772,955
Compensated absences	252,412	-	94,569	-
Total	\$ 4,712,837	\$ 1,885,882	\$ 11,088,769	\$ 6,191,322

Changes in Long-Term Debt

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

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2008:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental Activities					
General Fund					
General Obligation Bond, Series 2003B, with Community National Bank, authorized \$626,200, issued May 2003, with interest at 2.49 percent, payable semi-annually on May 1 and November 1, and annual principal payments ranging from \$83,000 in May 2004 to \$96,200 in May 2010.	\$ 281,600	\$ -	\$ 91,600	\$ 190,000	\$ 93,800
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)	2,342,279	-	44,241	2,298,038	45,991
Capital lease with First Citizens Bank, \$375,000 payable \$6,683 monthly through January 2009, including interest at 2.68 percent.	123,690	-	79,775	43,915	43,915
Master Equipment Lease Purchase Agreement with Verizon Credit, Inc., \$173,597 payable in 60 monthly installments of \$3,424, including interest at 5.7 percent, beginning July 2002 for the purchase of E-911 equipment.	23,971	-	23,971	-	
General Obligation Public Improvement Bond, Series 2004B, with SunTrust Bank, principal amount of \$455,000, issued October 21, 2004, with interest at 3.64 percent due and payable in semi-annual installments on January 15 and July 15 commencing January 15, 2005 through and including the maturity date. Payments of principal will be due and payable in annual installments on July 15 of each year, commencing July 15, 2005 through and including the maturity date.	391,600	-	37,100	354,500	38,500
General Obligation Refunding Bond, Series 2004A, with SunTrust Bank, principal amount of \$1,770,700, issued October 21, 2004, with interest at 3.21 percent due and payable in semi-annual installments on January 15 and July 15 commencing January 15, 2005 through and including the maturity date. Payments of principal will be due and payable in annual installments on July 15 of each year, commencing July 15, 2005 through and including the maturity date. (General Fund Portion)	1,341,403	-	133,583	1,207,820	136,141

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due Within</u> <u>One Year</u>
Note payable to the Virginia Retirement System for prior years of unreported creditable compensation for thirteen employees, principal amount of \$440,172, with interest at 7.5 percent, payments due and payable in annual installments of \$100,852, (interest included) through June 30, 2011. (General Fund Portion)	337,784	-	75,517	262,267	70,784
Line of credit secured with Bank of Southside, Virginia to purchase an intergrated financial management system, limit of \$470,000, funds advanced as needed, with interest at 4.59 percent, due in sixty equal monthly installments due on the 14th of each month with all unpaid interest and principal due September 14, 2011 (General Fund portion)	99,466	-	99,466	-	-
Capital lease with Branch Banking and Trust Company for the purchase of three police cars, principal of \$69,100, payable \$1,715 monthly through December 15, 2009, including interest at 4.08 percent.	48,824	-	18,935	29,889	19,722
General Obligation Refunding Bond, Series 2008, with SunTrust Bank, principal amount of \$3,905,254 issued April 23,2008 with interest at 3.85 percent due and payable in semi-annual installments on December 15 and June 15 commencing June 15, 2008 through and including the maturity date. Payments of principal will be due and payable in annual installments on June 15 of each year, commencing June 15, 2008 through and including the maturity date. (General Fund Portion)	-	74,873	877	73,996	3,607
Compensated Absences - General Fund	<u>238,848</u>	<u>13,564</u>	<u>-</u>	<u>252,412</u>	
Total Governmental Activities	5,229,465	88,437	605,065	4,712,837	452,460
Business-Type Activities					
Serial Revenue Bond with Rural Development, authorized \$2,500,000, issued 1996, with interest at 4.5 percent, interest only payable on October 28, 1997 and 1998, and principal and interest of \$11,475 payable monthly from November 1998 to October 2036.	2,231,987	-	2,231,987	-	-
Serial Revenue Bond with Rural Development, authorized \$1,700,000, issued 1994, with interest at 4.5 percent, payable \$7,718 per month from June 1995 to June 2034.	1,431,850	-	1,431,850	-	-
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)	126,697	-	12,617	114,080	12,859

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Due Within</u> <u>One Year</u>
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.	1,903,800	-	39,800	1,864,000	41,300
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)	5,184,325	-	97,861	5,086,464	101,795
Note payable to the Virginia Retirement System for prior years of unreported creditable compensation for thirteen employees, principal amount of \$498,299, with interest at 7.5 percent, payments due and payable in annual installments of \$114,857, (interest included) through June 30, 2011. (Enterprise Fund Portion)	103,418	-	23,121	80,297	21,671
Capital lease with First Citizens Bank, \$375,000 payable \$6,683 monthly through January 2009, including interest at 2.68 percent. (Utility Fund Portion)	6,895	-	4,447	2,448	2,448
Line of credit secured with Bank of Southside, Virginia to purchase an intergrated financial management system, limit of \$470,000, funds advanced as needed, with interest at 4.59 percent, due in sixty equal monthly installments due on the 14th of each month with all unpaid interest and principal due September 14, 2011 (Utility Fund portion)	-	204,230	204,230	-	-
Note payable with First Citizens Bank, \$72,440 payable \$1,339 monthly through August 2012, including interest at 4.16 percent.	-	72,440	11,053	61,387	13,779
General Obligation Refunding Bond, Series 2008, with SunTrust Bank, principal amount of \$3,905,254 issued April 23,2008 with interest at 3.85 percent due and payable in semi-annual installments on December 15 and June 15 commencing June 15, 2008 through and including the maturity date. Payments of principal will be due and payable in annual installments on June 15 of each year, commencing June 15, 2008 through and including the maturity date. (General Fund Portion)	-	3,830,381	44,857	3,785,524	184,532
Compensated Absences - Enterprise Fund	<u>89,287</u>	<u>5,282</u>	<u>-</u>	<u>94,569</u>	
Total Business-Type Activities	<u>11,078,259</u>	<u>4,112,333</u>	<u>4,101,823</u>	<u>11,088,769</u>	<u>378,384</u>
Total Primary Government	<u>\$ 16,307,724</u>	<u>\$ 4,200,770</u>	<u>\$ 4,706,888</u>	<u>\$ 15,801,606</u>	<u>\$ 830,844</u>

9 Claims, Judgments, and Compensated Absences

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the City has accrued the liability arising from outstanding claims, judgments, and compensated absences. Each City employee earns vacation at the rate of 10 days per year. Sick leave is earned at the rate of one day per month. A maximum of 180 accumulated days of sick leave and 90 accumulated days of vacation may be carried from one year to the next. Accrued sick leave may be paid if not used prior to termination at a rate of 10 percent of time left to a maximum of 800 hours. Accrued vacation may be paid if not used prior to termination. The City has outstanding compensated absences totaling \$252,412 in the governmental activities. The balance in the business-type activities is \$94,569.

10 Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Deferred revenue totaling \$276,117 is comprised of the following:

Property taxes	\$ 252,399
Vehicle licenses	<u>23,718</u>
Total Deferred Revenue	<u>\$ 276,117</u>

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

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

At June 30, 2008, there were no matters of litigation involving the City which would materially affect the City's financial position should any court decision or pending matter not be favorable to the City.

12 Defined Benefit Pension Plan

A. Plan Description

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85 percent to sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5 percent per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating

local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2007AnnuRept.pdf> or obtained by writing to the System at P. O. Box 2500, Richmond, Virginia 23218-2500.

B. *Funding Policy*

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual salary to the VRS. The employer may assume this 5 percent 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 2008 was 15.95 percent of annual covered payroll.

C. *Annual Pension Cost*

For fiscal year 2008, the City's annual pension cost of \$634,840 was equal to the City's required and actual contributions.

Three-Year Trend Information for City

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2006	\$ 485,461	100.0%	\$ -
June 30, 2007	592,341	100.0%	-
June 30, 2008	634,840	100.0%	-

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50 percent investment rate of return, (b) projected salary increases ranging from 3.75 percent to 5.73 percent per year, and (c) 2.50 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50 percent. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 21 years.

D. Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the plan, was 87.70 percent funded. The actuarial accrued liability for benefits was \$15,919,660, and the actuarial value of assets was \$13,961,105, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,958,555. The covered payroll (annual payroll of active employees covered by the plan) was \$3,854,715, and the ratio of the UAAL to the covered payroll was 50.81 percent.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability 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, 2005	\$11,388,566	\$ 13,997,481	\$ 2,608,915	81.36%	\$3,530,577	73.89%
June 30, 2006	12,119,767	14,032,416	1,912,649	86.37%	3,791,937	50.44%
June 30, 2007	13,961,105	15,919,660	1,958,555	87.70%	3,854,715	50.81%

E. Notes to Required Supplementary Information

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

Valuation Date	June 30, 2007
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent, Open
Payroll Growth Rate	2.50%
Remaining Amortization Period	20 years
Asset Valuation Method	Modified Market
Actuarial Assumptions	
Investment rate of return ¹	7.50%
Projected salary increases ¹	
NonLaw Enforcement Officer Employees	3.75% to 5.60%
Law Enforcement Officer Employees	3.50% to 4.75%
Cost-of-living adjustments	2.50%

¹Includes inflation of 2.50%.

13 Legal Compliance

A. Expenditures in Excess of Appropriations

No funds had excess expenditures.

B. Fund Deficits

No funds had fund deficits.

14 Surety Bond Information

The following constitutional officers are insured through the Commonwealth of Virginia, Department of the Treasury, and Division of Risk Management in effect at June 30, 2008:

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

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

15 Prior Period Adjustments

General Fund

A prior period adjustment was made in the general fund to account for deferred revenue received for taxes paid in fiscal years 2006/2007 in fiscal years 2007/2008. The deferred revenue accounts were adjusted to reflect the receipt of property taxes in one year for income recorded in a subsequent year. The total adjustment reduced fund balance by \$187,033.

Water and Sewer Fund

A prior period adjustment was made to remove accounts receivable and accounts payable balances that were manually accrued on the financial statements. The new accounting system for the City records these amounts automatically. The total adjustment increased the fund balance by \$61,749.

16 Financial Statement Reissue

After issuance of the financial statements to the Virginia Auditor of Public Accounts, management discovered that the Department of Social Services had included in their accounts receivable from the City of Emporia, Virginia amounts due under the Comprehensive Services Act. The City had already included this amount in their accounts payable. This led to a double posting of this entry. The accounts directly affected are as follows:

	<u>Originally Reported</u>	<u>Correction</u>	<u>Correct Balance</u>
GASB 34 Presentation			
Statement of Net Assets			
Accounts payable	\$ 446,646	\$ (33,938)	\$ 412,708
Unrestricted net assets	3,003,388	33,938	3,037,326
Statement of Activities			
Health and welfare	567,281	(33,938)	533,343
Fund Balance Presentation			
Balance Sheet			
Accounts payable	348,734	(33,938)	314,796
Unreserved/undesignated fund balance	3,378,631	33,938	3,412,569
Statement of Revenues, Expenditures, and Changes in Fund Balance			
Health and welfare	567,281	(33,938)	533,343

REQUIRED SUPPLEMENTARY INFORMATION



City of Emporia, Virginia

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2008

	<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	\$ 2,906,900	\$ 2,906,900	2,616,011	\$ (290,889)
Personal property taxes	1,131,500	1,131,500	1,179,431	47,931
Public service corporation property taxes	163,675	163,675	145,339	(18,336)
Delinquent taxes	40,000	40,000	75,883	35,883
Penalties and interest on taxes	<u>47,000</u>	<u>47,000</u>	<u>83,242</u>	<u>36,242</u>
Total General Property Taxes	4,289,075	4,289,075	4,099,906	(189,169)
Other Local Taxes				
Local sales and use taxes	1,557,564	1,557,564	1,356,424	(201,140)
Consumers' utility taxes	560,000	560,000	376,891	(183,109)
Business license taxes	625,000	625,000	708,787	83,787
Franchise license taxes	39,000	39,000	-	(39,000)
Motor vehicle licenses	82,000	82,000	81,229	(771)
Bank stock taxes	105,000	105,000	139,503	34,503
Tax on recordation and wills	40,000	40,000	48,492	8,492
Lodging taxes	610,000	610,000	663,423	53,423
Meals taxes	1,350,000	1,350,000	1,524,139	174,139
Emergency 911 taxes	<u>130,000</u>	<u>130,000</u>	<u>373,337</u>	<u>243,337</u>
Total Other Local Taxes	5,098,564	5,098,564	5,272,225	173,661
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	900	900	2,342	1,442
Planning and zoning	4,500	4,500	4,895	395
Building permits	30,000	30,000	51,099	21,099
Other permits, licenses, and fees	<u>1,000</u>	<u>1,000</u>	<u>3,030</u>	<u>2,030</u>
Total Permits, Privilege Fees, and Regulatory Licenses	36,400	36,400	61,366	24,966
Fines and Forfeitures	985,200	985,200	969,273	(15,927)
Revenue from Use of Money and Property				
Revenue from use of money	85,000	85,000	156,740	71,740
Revenue from use of property	<u>2,000</u>	<u>2,000</u>	<u>16,623</u>	<u>14,623</u>
Total Revenue from Use of Money and Property	87,000	87,000	173,363	86,363

	<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	118,500	146,698	172,715	26,017
Charges for sanitation and waste removal	<u>494,772</u>	<u>494,772</u>	<u>468,642</u>	<u>(26,130)</u>
Total Charges for Services	613,272	641,470	641,357	(113)
Recovered Costs				
From Greensville County, Virginia	229,000	229,000	256,697	27,697
Insurance refunds	8,700	8,700	25,214	16,514
Other recovered costs	<u>33,000</u>	<u>33,000</u>	<u>49,114</u>	<u>16,114</u>
Total Recovered Costs	270,700	270,700	331,025	60,325
Miscellaneous				
Total Miscellaneous	<u>255,953</u>	<u>1,061,954</u>	<u>446,691</u>	<u>(615,263)</u>
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
ABC profits	3,321	3,321	3,321	-
Wine taxes	3,481	3,481	3,481	-
Rolling stock taxes - motor vehicle carriers tax	8,500	8,500	-	(8,500)
Personal Property Tax Relief	570,319	570,319	570,320	1
Recordation and grantors' tax - State	<u>7,865</u>	<u>7,865</u>	<u>9,455</u>	<u>1,590</u>
Total Noncategorical Aid	593,486	593,486	586,577	(6,909)
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Sheriff	143,131	143,131	144,113	982
Commissioner of the Revenue	74,673	74,673	72,874	(1,799)
Treasurer	79,278	79,278	77,389	(1,889)
Registrar/Electoral Board	37,000	43,345	47,521	4,176
Law enforcement grants	257,397	257,397	244,526	(12,871)
State sales tax - education	948,840	948,840	898,873	(49,967)
Street and highway maintenance	858,933	865,441	893,124	27,683
Family violence prevention	63,221	63,221	61,278	(1,943)
Virginia Juvenile Community Crime Control	135,572	135,572	135,819	247
Criminal justice service - Victim Witness	53,730	53,730	57,298	3,568
Other State funds	<u>192,872</u>	<u>509,961</u>	<u>313,036</u>	<u>(196,925)</u>
Total Categorical Aid	<u>2,844,647</u>	<u>3,174,589</u>	<u>2,945,851</u>	<u>(228,738)</u>
Total Revenue from the Commonwealth of Virginia	3,438,133	3,768,075	3,532,428	(235,647)

	<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	33,608	33,608	33,608	-
Other Federal funds	-	41,875	51,609	9,734
Total Revenue from the Federal Government	<u>33,608</u>	<u>75,483</u>	<u>85,217</u>	<u>9,734</u>
Total Intergovernmental Revenue	<u>3,471,741</u>	<u>3,843,558</u>	<u>3,617,645</u>	<u>(225,913)</u>
Total Revenues	15,107,905	16,313,921	15,612,851	(701,070)
Expenditures				
Current				
<i>General Government Administration</i>				
Legislative	166,658	166,658	166,948	(290)
City Manager	484,805	472,853	413,983	58,870
Personnel	147,277	147,705	141,591	6,114
Legal services	20,170	20,538	28,389	(7,851)
Commissioner of Revenue	212,276	212,276	205,769	6,507
Equalization Board	42,137	42,137	39,264	2,873
Treasurer	200,015	200,015	200,110	(95)
Director of Finance	123,877	125,077	125,932	(855)
Data processing	18,800	15,500	16,655	(1,155)
Board of Elections	<u>68,982</u>	<u>75,327</u>	<u>68,864</u>	<u>6,463</u>
Total General Government Administration	1,484,997	1,478,086	1,407,505	70,581
<i>Judicial Administration</i>				
Circuit Court - shared services	944,624	1,282,334	1,282,422	(88)
Juvenile and Domestic Relations Court	124,314	124,314	93,578	30,736
Sheriff	209,254	209,254	210,832	(1,578)
Family violence	98,829	98,829	100,987	(2,158)
Victim Witness Program	56,558	56,558	57,464	(906)
VJCCC Grant	<u>144,489</u>	<u>144,489</u>	<u>141,465</u>	<u>3,024</u>
Total Judicial Administration	1,578,068	1,915,778	1,886,748	29,030
<i>Public Safety</i>				
Police Department	2,660,752	2,703,851	2,771,282	(67,431)
Volunteer Fire Department	191,460	883,676	783,715	99,961
Ambulance and rescue service	85,600	84,877	84,877	-
Inspections - Building Inspector	163,347	163,347	155,760	7,587
Animal control	68,871	67,733	65,692	2,041
Emergency services	<u>58,847</u>	<u>75,401</u>	<u>74,043</u>	<u>1,358</u>
Total Public Safety	3,228,877	3,978,885	3,935,369	43,516

	<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	860,161	940,441	900,763	39,678
Refuse collection	1,007,941	1,003,474	971,038	32,436
Engineering	113,288	113,288	111,274	2,014
City Shop	185,022	188,568	187,780	788
General buildings and grounds	<u>178,800</u>	<u>174,139</u>	<u>180,937</u>	<u>(6,798)</u>
Total Public Works	2,345,212	2,419,910	2,351,792	68,118
<i>Health and Welfare</i>				
Local health	82,113	82,113	82,113	-
Mental Health and Mental Retardation	38,087	38,087	38,087	-
Comprehensive services	105,100	105,100	50,616	54,484
Mosquito control	4,468	4,468	2,491	1,977
Welfare and social services	<u>209,261</u>	<u>209,261</u>	<u>360,036</u>	<u>(150,775)</u>
Total Health and Welfare	439,029	439,029	533,343	(94,314)
<i>Education</i>				
Superintendent	3,049,765	3,049,765	3,007,384	42,381
Contract services (shared costs)	981,640	957,942	899,373	58,569
Community Colleges	<u>1,278</u>	<u>1,278</u>	<u>1,278</u>	<u>-</u>
Total Education	4,032,683	4,008,985	3,908,035	100,950
<i>Parks, Recreation, and Cultural</i>				
Parks and recreation	143,614	174,364	159,402	14,962
Regional library	<u>92,535</u>	<u>92,535</u>	<u>92,535</u>	<u>-</u>
Total Parks, Recreation, and Cultural	236,149	266,899	251,937	14,962
<i>Community Development</i>				
Zoning Board	53,755	53,755	89,385	(35,630)
Economic development	838,938	875,720	707,351	168,369
Airport Commission	71,971	83,337	83,337	-
Cooperative Extension Program	<u>30,004</u>	<u>30,004</u>	<u>30,165</u>	<u>(161)</u>
Total Community Development	994,668	1,042,816	910,238	132,578
<i>Debt Service</i>				
	<u>768,222</u>	<u>763,533</u>	<u>686,862</u>	<u>76,671</u>
Total Expenditures	<u>15,107,905</u>	<u>16,313,921</u>	<u>15,871,829</u>	<u>442,092</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(258,978)	(258,978)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Other Financing Sources (Uses)				
Proceeds of debt	-	-	74,873	74,873
Total Other Financing Sources (Uses)	-	-	74,873	74,873
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(184,105)	<u>\$ (184,105)</u>
Fund Balance - Beginning of Year			3,795,940	
Change in Encumbrances			11,791	
Prior Period Adjustment			<u>(187,033)</u>	
Fund Balance - End of Year			<u>\$3,436,593</u>	

COMPLIANCE SECTION





**Creedle
Jones
& Alga**

A Professional Corporation

*Certified Public Accountants
Sherwood H. Creedle, CPA
Robin B. Jones, CPA, CFP
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Emporia, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the City of Emporia, Virginia's basic financial statements and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Emporia, Virginia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Emporia, Virginia's financial statements that is more than inconsequential will not be prevented or detected by the City of Emporia, Virginia's internal control.

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

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

Compliance and Other Matters

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

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
December 5, 2008

Reissued January 30, 2009