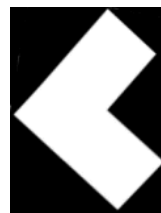


City of Emporia, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2018



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

City of Emporia, Virginia

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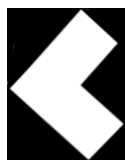
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FINANCIAL SECTION





Creedle
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A Professional Corporation

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Members of
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Virginia Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Emporia, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Emporia, Virginia (including its blended component units), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Emporia, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Emporia, Virginia (including its blended component units), as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-8 and budgetary comparison information, schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer contributions, notes to required supplementary information, schedule of employer's share of net OPEB liability group life insurance program, schedule of employer contributions for VRS OPEB group life insurance, notes to required supplementary information VRS OPEB GLI, schedule of changes in total OPEB liability and related ratios, and schedule of contributions – OPEB Retiree Health Insurance on pages 64-80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019, on our consideration of the City of Emporia, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Emporia, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Emporia, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
January 30, 2019

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, 2018. We encourage readers to read this discussion and analysis in conjunction with the City's basic financial statements.

Financial Highlights

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets and deferred outflows of resources of the City's governmental activities exceeded its liabilities and deferred inflows of resources by \$21,992,005. Of this amount, \$9,602,074 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. For the business-type activities, the assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources by \$4,064,360 with an unrestricted balance of \$905,144.
- The City's total net position increased by \$1,399,812 during the current fiscal year. Of this amount, an increase of \$970,231 is related to governmental activities and an increase of \$429,581 is attributed to business-type activities.
- As of June 30, 2018, the City's Governmental Funds reported combined ending fund balances of \$14,585,490, an increase of \$472,697 in comparison with the prior year. Approximately 81% of this amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of fiscal year 2018, the General Fund unassigned fund balance was \$11,816,073, or approximately 65% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

The City has three types of funds:

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

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

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

Notes to the Basic Financial Statements

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

Other

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets						
Current and other assets	\$ 15,720,714	\$ 15,512,523	\$ 2,348,104	\$ 4,011,567	\$18,068,818	\$ 19,524,090
Capital assets (net)	<u>15,436,333</u>	<u>15,857,494</u>	<u>22,480,477</u>	<u>21,076,796</u>	<u>37,916,810</u>	<u>36,934,290</u>
Total Assets	<u>31,157,047</u>	<u>31,370,017</u>	<u>24,828,581</u>	<u>25,088,363</u>	<u>55,985,628</u>	<u>56,458,380</u>
Deferred Outflows of Resources	<u>599,408</u>	<u>1,023,139</u>	<u>136,485</u>	<u>244,173</u>	<u>735,893</u>	<u>1,267,312</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 31,756,455</u>	<u>\$ 32,393,156</u>	<u>\$ 24,965,066</u>	<u>\$ 25,332,536</u>	<u>\$56,721,521</u>	<u>\$ 57,725,692</u>
Liabilities						
Other liabilities	\$ 743,130	\$ 978,589	\$ 782,078	\$ 459,945	\$ 1,525,208	\$ 1,438,534
Long-term liabilities	<u>7,912,409</u>	<u>9,251,797</u>	<u>19,943,001</u>	<u>21,057,778</u>	<u>27,855,410</u>	<u>30,309,575</u>
Total Liabilities	<u>8,655,539</u>	<u>10,230,386</u>	<u>20,725,079</u>	<u>21,517,723</u>	<u>29,380,618</u>	<u>31,748,109</u>
Deferred Inflows of Resources	<u>1,108,911</u>	<u>519,446</u>	<u>175,627</u>	<u>32,821</u>	<u>1,284,538</u>	<u>552,267</u>
Net Position						
Net investment in capital assets	9,730,159	9,628,849	3,159,216	825,141	12,889,375	10,453,990
Restricted	2,652,756	2,765,020	-	1,028,718	2,652,756	3,793,738
Unrestricted	<u>9,609,090</u>	<u>9,249,455</u>	<u>905,144</u>	<u>1,928,133</u>	<u>10,514,234</u>	<u>11,177,588</u>
Total Net Position	<u>21,992,005</u>	<u>21,643,324</u>	<u>4,064,360</u>	<u>3,781,992</u>	<u>26,056,365</u>	<u>25,425,316</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 31,756,455</u>	<u>\$ 32,393,156</u>	<u>\$ 24,965,066</u>	<u>\$ 25,332,536</u>	<u>\$56,721,521</u>	<u>\$ 57,725,692</u>

The Commonwealth of Virginia requires that cities, as well as their financial dependent component units, be financed under a single taxing structure. This results in cities issuing debt to finance capital assets, such as infrastructure and governmental buildings. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as a long-term liability and an asset of the City. The net position of the total financial reporting entity best represents the entity's financial position. In the case of the City's reporting entity, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$26,056,365 at June 30, 2018. A large portion of the reporting entity's net position, \$12,889,375 reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition. Net position which is unrestricted totals \$10,514,234.

Statement of Activities

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

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues						
Charges for services	\$ 1,331,667	\$ 1,669,554	\$ 3,479,717	\$ 3,374,005	\$ 4,811,384	\$ 5,043,559
Operating grants and contributions	3,695,713	3,864,993	-	-	3,695,713	3,864,993
General Revenues						
General property taxes, real and personal	5,069,600	4,859,645	-	-	5,069,600	4,859,645
Other taxes	7,073,468	6,911,001	-	-	7,073,468	6,911,001
Grants and contributions not restricted to specific programs	848,090	865,949	-	-	848,090	865,949
Unrestricted revenues from use of money and property	209,750	213,043	-	-	209,750	213,043
Investment earnings	114,124	97,556	16,685	14,169	130,809	111,725
Miscellaneous	30,488	73,011	8,653	55,516	39,141	128,527
Total Revenues	18,372,900	18,554,752	3,505,055	3,443,690	21,877,955	21,998,442
Expenses						
General government administration	1,359,433	1,454,838	-	-	1,359,433	1,454,838
Judicial administration	3,163,670	3,038,569	-	-	3,163,670	3,038,569
Public safety	3,281,863	3,122,790	-	-	3,281,863	3,122,790
Public works	2,725,562	3,151,065	-	-	2,725,562	3,151,065
Health and welfare	450,793	452,134	-	-	450,793	452,134
Education	4,805,372	4,591,070	-	-	4,805,372	4,591,070
Parks, recreation, and cultural	330,201	379,060	-	-	330,201	379,060
Community development	1,132,669	1,235,304	-	-	1,132,669	1,235,304
Water and sewer	-	-	2,607,975	2,504,640	2,607,975	2,504,640
Interest on long-term debt	153,106	157,474	467,499	454,913	620,605	612,387
Total Expenses	17,402,669	17,582,304	3,075,474	2,959,553	20,478,143	20,541,857
Increase in Net Position Before Transfers	970,231	972,448	429,581	484,137	1,399,812	1,456,585
Transfers	-	-	-	-	-	-
Change in Net Position	970,231	972,448	429,581	484,137	1,399,812	1,456,585
Beginning Net Position (Restated)	21,021,774	20,670,876	3,634,779	3,297,855	24,656,553	23,968,731
Ending Net Position	\$ 21,992,005	\$ 21,643,324	\$ 4,064,360	\$ 3,781,992	\$ 26,056,365	\$ 25,425,316

*See Note 22 for more information regarding the financial statement restatement.

Governmental activities increased the City's net position by \$970,231 for fiscal year 2018. Revenues from governmental activities totaled \$18,372,900. Other taxes comprise the largest source of these revenues, totaling \$7,073,468 or 38.5% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$17,402,669. Education was the City's largest program with expenses totaling \$4,805,372. Public safety, which totals \$3,281,863, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2018 and 2017

	<u>2018</u>		<u>2017</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	\$ 1,359,433	\$ (1,189,866)	\$ 1,454,838	\$ (1,290,662)
Judicial administration	3,163,670	(2,764,018)	3,038,569	(2,931,312)
Public safety	3,281,863	(1,934,675)	3,122,790	(1,373,393)
Public works	2,725,562	(779,885)	3,151,065	(1,181,951)
Health and welfare	450,793	(450,793)	452,134	(452,134)
Education	4,805,372	(3,696,701)	4,591,070	(3,413,246)
Parks, recreation, and cultural	330,201	(325,701)	379,060	(374,060)
Community development	1,132,669	(1,080,544)	1,235,304	(873,525)
Interest on long-term debt	<u>153,106</u>	<u>(153,106)</u>	<u>157,474</u>	<u>(157,474)</u>
Total	<u>\$ 17,402,669</u>	<u>\$ (12,375,289)</u>	<u>\$ 17,582,304</u>	<u>\$ (12,047,757)</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's governmental funds reported combined ending fund balances of \$14,585,490. The combined governmental fund balance increased \$472,697 from the prior year.

The General Fund is the main operating fund of the City. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$11,816,073. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 65% of total fund expenditures, while total fund balance represents 72% 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, 2018 and 2017

	<u>2018</u>			<u>2017</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	\$ 11,512,476	\$ 11,512,476	\$ 12,140,405	\$ 11,076,704	\$ 11,076,704	\$ 11,845,186
Other	2,153,159	2,156,770	1,993,721	2,928,836	3,837,733	2,251,818
Intergovernmental	<u>5,654,789</u>	<u>5,952,075</u>	<u>4,543,803</u>	<u>4,087,919</u>	<u>5,930,162</u>	<u>4,730,942</u>
Total Revenues	19,320,424	19,621,321	18,677,929	18,093,459	20,844,599	18,827,946
Expenditures	<u>27,217,384</u>	<u>27,763,478</u>	<u>18,162,298</u>	<u>23,345,459</u>	<u>25,293,415</u>	<u>17,916,819</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,896,960)	(8,142,157)	515,631	(5,252,000)	(4,448,816)	911,127
Other Financing Sources (Uses)						
Issuance of debt	7,035,000	7,035,000	110,117	5,252,000	5,252,000	188,255
Transfer from Housing Development	<u>(100,000)</u>	<u>(100,000)</u>	<u>(122,762)</u>	-	(803,184)	(649,194)
Total Other Financing Sources (Uses)	<u>6,935,000</u>	<u>6,935,000</u>	<u>(12,645)</u>	<u>5,252,000</u>	<u>4,448,816</u>	<u>(460,939)</u>
Change in Fund Balance	<u>\$ (961,960)</u>	<u>\$ (1,207,157)</u>	<u>\$ 502,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,188</u>

Final amended budget revenues were more than the original budget by \$300,897.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$546,094 primarily because of increased funding for public safety, public works, and community development.

Actual revenues were less than final budget amounts by \$943,392 or 4.8%, while actual expenditures were \$9,601,180, or 34.6% less than final budget amounts. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2018 include the following:

Revenues Less than Budget

Federal Government \$ 938,344

Expenditures Less than Budget

Community Development \$ 1,365,086
Public Works 7,242,467

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2018, the City's governmental activities net capital assets total \$15,436,333, which represents a net decrease of \$421,161 or 2.7% over the previous fiscal year-end balance. The business-type activities net capital assets total \$22,480,477 an increase of \$1,403,681 or 6.7% over the previous fiscal year.

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2017</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2018</u>
Land and land improvements	\$ 2,196,461	\$ -	\$ 2,196,461
Construction in progress	529,356	(255,368)	273,988
Buildings and improvements	6,878,814	477,842	7,356,656
Infrastructure	19,748,813	28,346	19,777,159
Furniture, equipment, and vehicles	<u>8,227,486</u>	<u>504,199</u>	<u>8,731,685</u>
Total Capital Assets	37,580,930	755,019	38,335,949
Less: Accumulated depreciation and amortization	<u>(21,723,436)</u>	<u>(1,176,180)</u>	<u>(22,899,616)</u>
Total Capital Assets, Net	<u>\$ 15,857,494</u>	<u>\$ (421,161)</u>	<u>\$ 15,436,333</u>

Business-Type Activities

	<u>Balance July 1, 2017</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2018</u>
Land and land improvements	\$ 103,471	\$ -	\$ 103,471
Construction in progress	10,744,440	(9,571,969)	1,172,471
Buildings and systems	19,617,439	11,398,011	31,015,450
Furniture, equipment, and vehicles	<u>1,384,590</u>	<u>25,499</u>	<u>1,410,089</u>
Total Capital Assets	31,849,940	1,851,541	33,701,481
Less: Accumulated depreciation and amortization	<u>(10,773,144)</u>	<u>(447,860)</u>	<u>(11,221,004)</u>
Total Capital Assets, Net	<u>\$ 21,076,796</u>	<u>\$ 1,403,681</u>	<u>\$ 22,480,477</u>
Total Capital Assets, Net - City of Emporia	<u>\$ 36,934,290</u>	<u>\$ 982,520</u>	<u>\$ 37,916,810</u>

Long-Term Debt

As of June 30, 2018, the City's long-term obligations total \$25,653,674 .

	<u>Balance July 1, 2017</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2018</u>
Governmental Activities			
Long-term debt	\$ 6,228,645	\$ (522,471)	\$ 5,706,174
Compensated absences	<u>395,996</u>	<u>37,880</u>	<u>433,876</u>
Total Governmental Activities	6,624,641	(484,591)	6,140,050
Business-Type Activities			
Long-term debt	20,251,655	(930,394)	19,321,261
Compensated absences	<u>183,862</u>	<u>8,501</u>	<u>192,363</u>
Total Business-Type Activities	<u>20,435,517</u>	<u>(921,893)</u>	<u>19,513,624</u>
Total Primary Government	<u>\$ 27,060,158</u>	<u>\$ (1,406,484)</u>	<u>\$ 25,653,674</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the City of Emporia, Virginia in June 2018 was 5.1%. This compares unfavorably to the state's rate of 3.3% and the national rate of 4.2%.
- According to the 2010 U. S. Census, the population in the City of Emporia, Virginia was 5,927, an increase of 4.6%, since the 2000 U. S. Census.
- The per capita income in the City of Emporia, Virginia was \$19,245 compared to \$32,145 for the state, according to the 2010 U. S. Census data.

The fiscal year 2019 adopted budget anticipates general fund revenues and expenditures to be \$20,916,565 , a 23.4% decrease over the fiscal year 2018 budget.

RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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 Sheila J. Cutrell, Finance Director, City of Emporia, Virginia, 201 South Main Street, Emporia, Virginia 23847, telephone 434-634-3332, or visit the City's website at www.ci.emporia.va.us.

BASIC FINANCIAL STATEMENTS



City of Emporia, Virginia
Statement of Net Position
At June 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 11,846,287	\$ 397,685	\$ 12,243,972
Receivables, net	1,105,824	456,046	1,561,870
Due from other governments	1,451,558	-	1,451,558
Cash and investments, restricted	-	1,494,373	1,494,373
Other assets	1,317,045	-	1,317,045
Capital Assets			
Land and construction in progress	2,470,449	1,275,942	3,746,391
Other capital assets, net of accumulated depreciation	12,965,884	21,204,535	34,170,419
Capital Assets, Net	15,436,333	22,480,477	37,916,810
Total Assets	31,157,047	24,828,581	55,985,628
Deferred Outflows of Resources			
Deferred outflows - VRS pension	541,125	122,773	663,898
Deferred outflows - OPEB retiree health insurance	23,973	6,027	30,000
Deferred outflows - OPEB VRS group life	34,310	7,685	41,995
Total Deferred Outflows of Resources	599,408	136,485	735,893
Total Assets and Deferred Outflows of Resources	<u>\$ 31,756,455</u>	<u>\$ 24,965,066</u>	<u>\$ 56,721,521</u>
Liabilities			
Accounts payable and accrued expenses	\$ 346,857	\$ 503,279	\$ 850,136
Due to other governments	331,256	-	331,256
Accrued interest payable	65,017	71,488	136,505
Customer deposits	-	207,311	207,311
Long-Term Liabilities			
<i>Due within one year</i>			
Compensated absences	43,388	19,236	62,624
Bonds, loans, and other	605,262	618,153	1,223,415
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	5,100,912	18,703,108	23,804,020
Compensated absences	390,488	173,127	563,615
OPEB liability - retiree health insurance	281,588	70,794	352,382
OPEB liability - VRS group life	298,205	66,795	365,000
VRS pension liability	1,192,566	291,788	1,484,354
Total Liabilities	8,655,539	20,725,079	29,380,618
Deferred Inflows of Resources			
Deferred inflows - prepaid taxes	347,158	-	347,158
Deferred inflows - VRS pension	719,824	166,004	885,828
Deferred inflows - OPEB retiree health insurance	8,432	2,120	10,552
Deferred inflows - OPEB VRS group life	33,497	7,503	41,000
Total Deferred Inflows of Resources	1,108,911	175,627	1,284,538
Net Position			
Net investment in capital assets	9,730,159	3,159,216	12,889,375
Restricted for			
Drug seizure	48,713	-	48,713
Courthouse security and court services	1,079,332	-	1,079,332
DHCD - electronic summons system fee	56,277	-	56,277
Program income projects	29,249	-	29,249
Restricted for Animal Shelter & Street Projects	131,086	-	131,086
Four for Life	4,806	-	4,806
Citizen Bank building investment	1,310,309	-	1,310,309
Unrestricted	9,602,074	905,144	10,507,218
Total Net Position	21,992,005	4,064,360	26,056,365
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 31,756,455</u>	<u>\$ 24,965,066</u>	<u>\$ 56,721,521</u>

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

City of Emporia, Virginia
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities							
General government administration	\$ 1,359,433	\$ -	\$ 169,567	\$ -	\$ (1,189,866)		\$ (1,189,866)
Judicial administration	3,163,670	-	399,652	-	(2,764,018)		(2,764,018)
Public safety	3,281,863	505,255	841,933	-	(1,934,675)		(1,934,675)
Public works	2,725,562	826,412	1,119,265	-	(779,885)		(779,885)
Health and welfare	450,793	-	-	-	(450,793)		(450,793)
Education	4,805,372	-	1,108,671	-	(3,696,701)		(3,696,701)
Parks, recreation, and cultural	330,201	-	4,500	-	(325,701)		(325,701)
Community development	1,132,669	-	52,125	-	(1,080,544)		(1,080,544)
Interest on long-term debt	<u>153,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(153,106)</u>		<u>(153,106)</u>
Total Governmental Activities	17,402,669	1,331,667	3,695,713	-	(12,375,289)		(12,375,289)
Business-Type Activities							
Water and Sewer Fund	<u>3,075,474</u>	<u>3,479,717</u>	<u>-</u>	<u>-</u>		\$ 404,243	404,243
Total Business-Type Activities	<u>3,075,474</u>	<u>3,479,717</u>	<u>-</u>	<u>-</u>		<u>404,243</u>	<u>404,243</u>
Total Primary Government	<u>\$ 20,478,143</u>	<u>\$ 4,811,384</u>	<u>\$ 3,695,713</u>	<u>\$ -</u>		404,243	(11,971,046)
General Revenues							
Taxes							
General property taxes, real and personal					5,069,600	-	5,069,600
Other local taxes					7,073,468	-	7,073,468
Grants and contributions not restricted to specific programs					848,090	-	848,090
Unrestricted revenues from use of money and property					209,750	-	209,750
Investment earnings					114,124	16,685	130,809
Miscellaneous					30,488	8,653	39,141
Transfers					<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers					<u>13,345,520</u>	<u>25,338</u>	<u>13,370,858</u>
Change in Net Position					970,231	429,581	1,399,812
Net Position - Beginning of Year (Restated)					<u>21,021,774</u>	<u>3,634,779</u>	<u>24,656,553</u>
Net Position - End of Year					<u>\$ 21,992,005</u>	<u>\$ 4,064,360</u>	<u>\$ 26,056,365</u>

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

City of Emporia, Virginia

Balance Sheet

Governmental Funds

At June 30, 2018

	General Fund	Emporia Redevelopment and Housing Authority Fund	Emporia Industrial Development Authority	Total Governmental Funds
Assets				
Cash and investments	\$11,714,349	\$ 47,135	\$ 84,803	\$ 11,846,287
Property taxes receivable, net	538,574	-	-	538,574
Accounts receivable	567,250	-	-	567,250
Due from other funds	60	-	-	60
Due from other governments	1,451,558	-	-	1,451,558
Other assets	6,736	1,310,309	-	1,317,045
Total Assets	<u>\$14,278,527</u>	<u>\$ 1,357,444</u>	<u>\$ 84,803</u>	<u>\$ 15,720,774</u>
Liabilities				
Accounts payable	\$ 253,099	\$ -	\$ -	\$ 253,099
Accrued liabilities	93,758	-	-	93,758
Due to other funds	-	60	-	60
Due to other governments	331,256	-	-	331,256
Total Liabilities	678,113	60	-	678,173
Deferred Inflows of Resources				
Unavailable revenue - deferred taxes	109,953	-	-	109,953
Unavailable revenue - taxes - prepaid	347,158	-	-	347,158
Total Deferred Inflows of Resources	457,111	-	-	457,111
Fund Balance				
Restricted for				
Drug seizure	48,713	-	-	48,713
Courthouse security and court services	1,079,332	-	-	1,079,332
DHCD - electronic summons system fee	56,277	-	-	56,277
Program income projects	7,016	22,233	-	29,249
Animal Shelter & Street Projects	131,086	-	-	131,086
Four for Life	4,806	-	-	4,806
Citizens Bank building investment	-	1,310,309	-	1,310,309
Assigned	-	24,842	84,803	109,645
Unassigned	<u>11,816,073</u>	<u>-</u>	<u>-</u>	<u>11,816,073</u>
Total Fund Balance	<u>13,143,303</u>	<u>1,357,384</u>	<u>84,803</u>	<u>14,585,490</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$14,278,527</u>	<u>\$ 1,357,444</u>	<u>\$ 84,803</u>	<u>\$ 15,720,774</u>

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

City of Emporia, Virginia

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

At June 30, 2018

Total Fund Balances for Governmental Funds	\$ 14,585,490
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Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Land	\$ 2,196,461
Construction in progress	273,988
Buildings and improvements, net of accumulated depreciation	3,844,367
Furniture, equipment, and vehicles, net of accumulated depreciation	1,285,041
Infrastructure, net of accumulated depreciation	<u>7,836,476</u>

Total Capital Assets	15,436,333
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Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - property taxes	109,953
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to VRS pension	541,125
Deferred inflows of resources related to VRS pension	(719,824)
Deferred outflows of resources related to OPEB retiree health insurance	23,973
Deferred inflows of resources related to OPEB retiree health insurance	(8,432)
Deferred outflows of resources related to OPEB VRS group life	34,310
Deferred inflows of resources related to OPEB VRS group life	<u>(33,497)</u>

Total Deferred Outflows and Inflows of Resources	(162,345)
--	-----------

Liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds and notes payable	(5,706,174)
VRS pension liability	(1,192,566)
Accrued interest payable	(65,017)
OPEB liability retiree health insurance	(281,588)
OPEB VRS group life	(298,205)
Compensated absences	<u>(433,876)</u>

Total	<u>(7,977,426)</u>
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Total Net Position of Governmental Activities	<u>\$ 21,992,005</u>
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The accompanying notes to the financial statements are an integral part of this statement.

City of Emporia, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2018

	General Fund	Emporia Redevelopment and Housing Authority Fund	Emporia Industrial Development Authority	Total Governmental Funds
Revenues				
Property taxes	\$ 5,066,937	\$ -	\$ -	\$ 5,066,937
Other local taxes	7,073,468	-	-	7,073,468
Permits, privilege fees, and regulatory licenses	19,048	-	-	19,048
Fines and forfeitures	505,255	-	-	505,255
Use of money and property	116,622	305	206,947	323,874
Charges for services	807,364	-	-	807,364
Miscellaneous	30,488	-	-	30,488
Recovered costs	514,944	1	-	514,945
<i>Intergovernmental</i>				
Revenue from the Commonwealth of Virginia	4,057,587	-	-	4,057,587
Revenue from the Federal Government	486,216	-	-	486,216
Total Revenues	18,677,929	306	206,947	18,885,182
Expenditures				
Current				
General government administration	1,526,893	-	-	1,526,893
Judicial administration	3,326,790	-	-	3,326,790
Public safety	3,661,836	-	-	3,661,836
Public works	2,485,085	-	-	2,485,085
Health and welfare	452,918	-	-	452,918
Education - public school system	4,805,372	-	-	4,805,372
Parks, recreation, and cultural	340,464	-	-	340,464
Community development	886,142	14,963	233,395	1,134,500
Debt service	676,798	-	111,946	788,744
Total Expenditures	18,162,298	14,963	345,341	18,522,602
Excess (Deficiency) of Revenues Over Expenditures	515,631	(14,657)	(138,394)	362,580
Other Financing Sources (Uses)				
Transfers in (out)	(122,762)	14,037	108,725	-
Issuance of debt	110,117	-	-	110,117
Total Other Financing Sources (Uses)	(12,645)	14,037	108,725	110,117
Net Change in Fund Balance	502,986	(620)	(29,669)	472,697
Fund Balance - Beginning of Year	12,640,317	1,358,004	114,472	14,112,793
Fund Balance - End of Year	\$ 13,143,303	\$ 1,357,384	\$ 84,803	\$ 14,585,490

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

City of Emporia, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 472,697

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capitalized assets	\$ 749,019	
Depreciation	<u>(1,170,180)</u>	(421,161)

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements but recognized in the Statement of Activities.

2,662

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

Debt issued	(110,117)	
Repayments on debt	632,588	
Accrued interest expense	<u>3,050</u>	
Net Adjustment		525,521

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

VRS pension liabilities	1,432,992	
Cost of benefits earned net of employee contributions	<u>(1,064,309)</u>	368,683

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	(37,880)	
OPEB liability retiree health insurance	9,894	
Deferred outflows OPEB retiree health insurance	25,571	
Deferred inflows OPEB retiree health insurance	(8,432)	
OPEB liability VRS group life	31,863	
Deferred outflows OPEB VRS group life	34,310	
Deferred inflows OPEB VRS group life	<u>(33,497)</u>	
Net Adjustment		<u>21,829</u>

Change in Net Position of Governmental Activities \$ 970,231

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

City of Emporia, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2018

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

Assets**Current Assets**

Cash and investments	\$ 397,685
Receivables, net	456,046
Cash and investments, restricted	<u>1,494,373</u>
Total Current Assets	2,348,104

Noncurrent Assets

Land and construction in progress	1,275,942
Capital assets, net	<u>21,204,535</u>
Total Noncurrent Assets	22,480,477

Deferred Outflows of Resources

Deferred outflows - VRS pension	122,773
Deferred outflows - OPEB retiree health insurance	6,027
Deferred outflows - OPEB VRS group life	<u>7,685</u>
Total Deferred Outflows of Resources	<u>136,485</u>

Total Assets and Deferred Outflows of Resources	<u>\$ 24,965,066</u>
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Liabilities**Current Liabilities**

Accounts payable and accrued liabilities	\$ 503,279
Accrued interest payable	71,488
Customer deposits	207,311
Short-term portion of compensated absences	19,236
Short-term portion of debt	<u>618,153</u>
Total Current Liabilities	1,419,467

Noncurrent Liabilities

Compensated absences	173,127
VRS pension liability	291,788
OPEB liability - retiree health insurance	70,794
OPEB liability - VRS group life	66,795
Long-term portion of debt	<u>18,703,108</u>
Total Noncurrent Liabilities	<u>19,305,612</u>
Total Liabilities	20,725,079

Deferred Inflows of Resources

Deferred inflows - VRS pension	166,004
Deferred inflows - OPEB retiree health insurance	2,120
Deferred inflows - OPEB VRS group life	<u>7,503</u>
Total Deferred Inflows of Resources	175,627

Net Position

Net investment in capital assets	3,159,216
Unrestricted	<u>905,144</u>
Total Net Position	<u>4,064,360</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 24,965,066</u>

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

City of Emporia, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2018

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

Operating Revenues

Charges for services, net	\$ 3,355,992
Penalties income	123,725
Miscellaneous	<u>8,653</u>

Total Operating Revenues 3,488,370

Operating Expenses

Personnel services and benefits	1,217,662
Maintenance, supplies, and vehicle expenses	323,458
Utilities	298,074
Chemicals	120,509
Depreciation	447,860
Other charges	<u>200,412</u>

Total Operating Expenses 2,607,975

Operating Income 880,395

Nonoperating Revenues (Expenses)

Interest income	16,685
Interest expense	<u>(467,499)</u>

Total Nonoperating Revenues (Expenses) (450,814)

Change in Net Position 429,581

Total Net Position - Beginning of Year (Restated) 3,634,779

Total Net Position - End of Year \$ 4,064,360

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

City of Emporia, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2018

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

Cash Flows from Operating Activities

Receipts from customers	\$ 3,463,592
Other receipts	8,653
Payments to personnel and benefits	(1,298,764)
Payments to suppliers	<u>(615,475)</u>
Net Cash Provided by Operating Activities	1,558,006

Cash Flows from Capital and Related Financing Activities

Purchases and construction of capital assets	(1,851,541)
Principal paid on capital debt	(930,394)
Interest paid on capital debt	<u>(470,894)</u>
Net Cash Used in Capital and Related Financing Activities	(3,252,829)

Cash Flows from Investing Activities

Interest income	<u>16,685</u>
Net Cash Provided by Investing Activities	<u>16,685</u>

Net Decrease in Cash and Cash Equivalents (1,678,138)

Cash and Cash Equivalents - Beginning of Year 3,570,196

Cash and Cash Equivalents - End of Year \$ 1,892,058

**Reconciliation of Operating Income to Net
Cash Provided by Operating Activities**

Operating income	\$ 880,395
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>	
Depreciation expense	447,860
<i>Changes in assets and liabilities</i>	
Receivables, net	(14,675)
Accounts payable and accrued expenses	326,978
Compensated absences	8,501
Customer deposits	(1,450)
Deferred outflows - VRS pension	121,400
Deferred inflows - VRS pension	133,183
VRS pension liability	(330,473)
Deferred outflows - OPEB VRS group life	(7,685)
Deferred inflows - OPEB VRS group life	7,503
OPEB VRS group life	(7,137)
Deferred outflows - OPEB retiree health insurance	(6,027)
Deferred inflows - OPEB retiree health insurance	2,120
OPEB retiree health insurance	<u>(2,487)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,558,006</u>

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

City of Emporia, Virginia

Notes to the Financial Statements

Year Ended June 30, 2018

1 Summary of Significant Accounting Policies and Use of Estimates

Narrative Profile

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

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

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

1-A. Financial Reporting Entity

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

Inclusions in the Reporting Entity

Blended Component Units

The following are legally separate component units for which the City is financially accountable for and, therefore, the related financial activities have been blended with the City's financial reporting.

Emporia Redevelopment and Housing Authority Fund was formed for the purpose of preparing and carrying out plans for improvement, rehabilitation and redevelopment of areas within the territorial limits of the City. City staff provided management assistance to the Authority.

Emporia Industrial Development Authority Fund was established for the purpose of carrying out commercial development activities for certain areas of the City. City staff provides management assistance to the Authority. Members of the Authority are approved by the City council.

Exclusions from the Reporting Entity

Jointly Governed Organizations

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

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

Greensville County School Board

The Greensville County School Board provides educational services to the City of Emporia, Virginia and the County of Greensville, Virginia. The two localities provide annual contributions for operations and capital improvements based upon an agreed-upon shared services agreement. The City appoints two representatives to a six-member School Board, with the remaining representatives coming from the County of Greensville, Virginia. The City appropriated to the School Board \$3,436,720 during fiscal year 2018.

Greensville -Emporia Department of Social Services

The Greensville-Emporia Department of Social Services provides social services to the residents of the City of Emporia, Virginia and the County of Greensville, Virginia. The County of Greensville, Virginia reports the entity as a discretely presented component unit due to its financial accountability and majority representation on the governing body of the Department. The City appropriated \$202,718 during fiscal year 2018 to the Department.

Southside Regional Jail Authority

The Southside Regional Jail Authority was created by the participating localities of the City of Emporia, Virginia and the County of Greensville, Virginia in May 1995. The jail is considered a jointly governed organization of the localities with each locality represented on the Board of the Authority. The City appropriated \$1,217,364 during fiscal year 2018 to the Authority for services rendered.

1-B. Financial Reporting Model

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

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

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

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

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

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

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

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

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

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

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons.

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

1-C. Financial Statement Presentation

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

- *Governmental Funds* – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the City's major governmental funds:
 - o *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.
 - o *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds consist of the Emporia Redevelopment and Housing Authority Fund and Emporia Industrial Development Authority Fund.
 - o *Capital Projects Funds* – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The City has no Capital Projects Funds at this time.
- *Proprietary Funds* – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The City has one enterprise fund, the Water and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that the cost of providing services to the general public be financed or recovered through user charges.

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

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

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

1-E-2 Investments

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

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

1-E-3 Receivables and Payables

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

All trade and property tax receivables and motor vehicle licenses are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounts were as follows at June 30.

General Fund - taxes receivable	<u>\$ 119,188</u>
General Fund - motor vehicle licenses	<u>\$ 18,809</u>
Water and Sewer Fund - accounts receivables	<u>\$ 14,722</u>

Real and Personal Property Tax Data

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

Real Property Personal Property

Levy	September 1	June 1
Due Date	December 5	July 1

The City bills and collects its own property taxes.

An interest charge of ten% per annum is also levied on real property taxes not collected on or before their due date. An interest charge of 10% per annum is also levied on personal property taxes not collected on or before August 1.

1-E-4 Prepaid Items

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

1-E-5 Capital Assets

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

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

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

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

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

1-E-6 Deferred Outflows/Inflows of Resources

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

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

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

1-E-7 Compensated Absences

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

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

1-E-8 Pensions

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

1-E-9 Group Life Insurance Program

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

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

1-E-10 Other Postemployment Benefits Plans

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

1-E-11 Fund Equity

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

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

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

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

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

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

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

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

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

1-E-12 Operating Revenues and Expenses

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

1-E-13 Interfund Activity

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

1-E-14 Long-Term Obligations

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

1-E-15 Adoption of New GASB Statement

During the fiscal year ended June 30, 2018, the City adopted the following GASB statement:

- Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*.

1-F. Estimates

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

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

1. Prior to May 1, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance.
4. The Appropriations Ordinance places legal restrictions on expenditures at the fund level. These appropriations for each fund can be revised only by the City Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures Exceeded Appropriations in the Following Funds at June 30, 2018

A budget was not legally adopted for the IDA; as such, expenditures exceeded appropriations at the fund level.

Fund Deficits

No funds had fund deficits.

3 Deposits and Investments

Deposits

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

Investments

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

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

The following is a summary of cash and cash equivalents:

<u>Asset Type</u>	<u>Balance June 30, 2018</u>
Petty cash	\$ 1,100
Deposit accounts	<u>13,737,245</u>
Total Cash and Cash Equivalents	<u>\$ 13,738,345</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 11,846,287</u>	<u>\$ 1,892,058</u>	<u>\$ 13,738,345</u>

4 Receivables

Receivables at June 30, 2018 consist of the following:

	<u>General</u>	<u>Business-Type Activities</u>
Property taxes	\$ 657,762	\$ -
Motor vehicle licenses	43,374	-
Utility taxes	35,255	-
Sanitation fees	66,188	-
Meals and lodging taxes	374,018	-
Court fines	67,224	-
Water and sewer	<u>-</u>	<u>470,768</u>
Total	1,243,821	470,768
Allowance for uncollectibles	<u>(137,997)</u>	<u>(14,722)</u>
Net Receivables	<u>\$ 1,105,824</u>	<u>\$ 456,046</u>

5 Interfund Transfers

Interfund transfers as of June 30, 2018 are as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
<i>Primary Government</i>		
General Fund		
To IDA Fund for operations	\$ 108,725	\$ -
To Redevelopment and Housing Fund for operations	<u>14,037</u>	<u>-</u>
Total General Fund	122,762	-
Redevelopment and Housing Fund		
From General Fund for operations	-	14,037
Industrial Development Authority		
From General Fund for operations	<u>-</u>	<u>108,725</u>
Total Transfers Within Primary Government	<u>\$ 122,762</u>	<u>\$ 122,762</u>

6 Due from Other Governmental Units

Details of the City's receivables from other governmental units, as of June 30, 2018, are as follows:

	<u>General</u>
County of Greenville, Virginia	
School Board - Education	\$ 362,349
Other	<u>93,162</u>
Total County of Greenville, Virginia	455,511
Commonwealth of Virginia	
Personal property tax relief act (PPTRA)	145,728
Local sales tax	338,210
Education state sales tax	141,196
Wireless 911 grant	115,289
Other	<u>120,114</u>
Total Commonwealth of Virginia	860,537
Federal Government	
DCJS grants	67,019
Emergency services grant	10,285
VDSS Child advocacy services grant	33,916
Victim witness grants	<u>24,236</u>
Total Federal Government	135,456
Other	<u>54</u>
Total Due from Other Governments	<u>\$ 1,451,558</u>

7 Due to Other Governmental Units

Details of the City's payables to other governmental units, as of June 30, 2018, are as follows:

	<u>General</u>
Social Services operations - Greenville County, Virginia	<u>\$ 331,256</u>

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8 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 2,196,461	\$ -	\$ -	\$ 2,196,461
Construction in progress	<u>529,356</u>	<u>130,373</u>	<u>385,741</u>	<u>273,988</u>
Total Capital Assets Not Being Depreciated	2,725,817	130,373	385,741	2,470,449
Other Capital Assets				
Buildings and improvements	6,878,814	477,842	-	7,356,656
Infrastructure	19,748,813	28,346	-	19,777,159
Furniture, equipment, and vehicles	<u>8,227,486</u>	<u>504,199</u>	<u>-</u>	<u>8,731,685</u>
Total Other Capital Assets	34,855,113	1,010,387	-	35,865,500
Less: Accumulated depreciation for				
Buildings and improvements	3,333,055	179,234	-	3,512,289
Infrastructure	11,276,806	663,877	-	11,940,683
Furniture, equipment, and vehicles	<u>7,113,575</u>	<u>333,069</u>	<u>-</u>	<u>7,446,644</u>
Total Accumulated Depreciation	<u>21,723,436</u>	<u>1,176,180</u>	<u>-</u>	<u>22,899,616</u>
Other Capital Assets, Net	<u>13,131,677</u>	<u>(165,793)</u>	<u>-</u>	<u>12,965,884</u>
Net Capital Assets	<u>\$ 15,857,494</u>	<u>\$ (35,420)</u>	<u>\$ 385,741</u>	<u>\$ 15,436,333</u>

Depreciation Expense was Allocated to

General government administration	\$ 284,434
Public safety	295,718
Public works	580,601
Community development	<u>15,427</u>
Total	<u>\$ 1,176,180</u>

Business-Type Activities

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 103,471	\$ -	\$ -	\$ 103,471
Construction in progress	<u>10,744,440</u>	<u>1,172,471</u>	<u>10,744,440</u>	<u>1,172,471</u>
Total Capital Assets Not Being Depreciated	10,847,911	1,172,471	10,744,440	1,275,942
Other Capital Assets				
Buildings and systems	19,617,439	11,398,011	-	31,015,450
Furniture, equipment, and vehicles	<u>1,384,590</u>	<u>25,499</u>	<u>-</u>	<u>1,410,089</u>
Total Other Capital Assets	21,002,029	11,423,510	-	32,425,539
Less: Accumulated depreciation for				
Buildings and systems	9,527,722	399,138	-	9,926,860
Furniture, equipment, and vehicles	<u>1,245,422</u>	<u>48,722</u>	<u>-</u>	<u>1,294,144</u>
Total Accumulated Depreciation	<u>10,773,144</u>	<u>447,860</u>	<u>-</u>	<u>11,221,004</u>
Other Capital Assets, Net	<u>10,228,885</u>	<u>10,975,650</u>	<u>-</u>	<u>21,204,535</u>
Net Capital Assets	<u>\$ 21,076,796</u>	<u>\$ 12,148,121</u>	<u>\$ 10,744,440</u>	<u>\$ 22,480,477</u>

9 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. All regular, full-time employees hired January 1, 2014 and after, excluding police officers hired prior to 2015, shall be covered under the provisions of a general leave policy of paid time off (PTO) in lieu of accruing sick and annual leave. Each City employee earns PTO based on years of service as follows:

Years of Service	Hours Accrued Per Month
Under 5 years	12 hours
5-9 years	14 hours
10-14 years	16 hours
15-19 years	18 hours
20-24 years	20 hours
25 years or more	22 hours

Accrued PTO may be paid based on years of service as follows:

Years of Service	Maximum Payment
Under 5 years	36 days
5-9 years	42 days
10-14 years	48 days
15-19 years	54 days
20-24 years	60 days
25 years or more	66 days

The City has outstanding compensated absences totaling \$433,876 in the governmental activities. The balance in the business-type activities is \$192,363.

10 Long-Term Debt

PRIMARY GOVERNMENT

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

<u>Year(s)</u> <u>Ended</u> <u>June 30.</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>General Bonds Payable</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 605,262	143,548	\$ 618,153	\$ 450,236
2020	431,697	128,596	636,576	435,891
2021	374,226	118,133	656,608	419,840
2022	315,333	108,500	677,871	403,939
2023	278,367	100,816	698,506	387,552
2024-2028	1,408,609	393,901	3,796,823	1,676,885
2029-2033	1,667,107	189,077	4,386,293	1,189,503
2034-2038	625,573	16,280	2,703,880	755,028
2039-2043	-	-	1,602,852	546,888
2044-2048	-	-	1,798,912	350,828
2049-2053	-	-	1,744,787	132,036
Total	<u>\$ 5,706,174</u>	<u>\$ 1,198,851</u>	<u>\$ 19,321,261</u>	<u>\$ 6,748,626</u>

Changes in Long-Term Debt

As of December 15, 2005, the City entered into a Service Agreement Resolution with the County of Greenville, Virginia, as additional security for the payment of the Southside Regional Jail Authority Revenue Refund Bond Series 2005 in the amount of \$6,335,900. The City pledged its full faith and credit to pay such amounts as may be needed to make up any deficit in the amount required to pay the Debt Service. Therefore, the City could be responsible for 100% of the Bond amount should the Southside Regional Jail default on the debt. The SRJA refinanced this debt on September 19, 2012 with Series 2012 Revenue Refunding Bond in the amount of \$4,569,600.

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

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	<u>Balance</u> <u>July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental Activities					
General Fund					
BB&T lease for police vehicles dated September 15, 2016 with payments of \$2,125 of interest and principal due monthly commencing October 15, 2016 and ending September 15, 2019. Interest rate is fixed at 1.51% per annum.	\$ 56,370	\$ -	\$ 24,817	\$ 31,553	\$ 25,195
BB&T lease for EMS dated September 15, 2016 with payments of \$1,292 at 1.67% commencing October 15, 2016 and ending September 15, 2021.	63,561	-	14,553	49,008	14,797
General Obligation Refunding Bond, Series 2006 with Carter Bank and Trust, principal amount of \$7,560,000, issued June 15, 2006, with interest at 1.21%, subject to be reset in future years, interest due and payable in semi-annual installments on May 1 and November 1, commencing November 1, 2006. Principal shall be due and payable in annual installments on May 1 of each year, commencing May 1, 2007 through and including the maturity date of May 1, 2036. (General Fund Portion)	1,811,589	-	65,460	1,746,129	68,078
Installment note with the Bank of Southside Virginia, principal of \$109,400 entered into on August 11, 2009 with interest at 4.35% due monthly commencing September 11, 2009 until maturity on August 11, 2019.	27,832	-	12,566	15,266	13,135
Capital lease with IBM for new server and OEM agreement consisting of 5 annual payments of \$5,370 for the server, at 1.53%, \$1,737 at 3.29% for the maintenance agreement, and \$1,071.39 at 3.57% for the OEM agreement, ending on November 1, 2020.	31,021	-	6,487	24,534	7,671
2014 Lease with First Citizens Bank initiated on August 25, 2014 for three years at 1.20% maturing on August 25, 2017.	7,295	-	7,295	-	-
Lease Revenue Note, Series 1999, with SunTrust Bank for DMV building, with payments of \$9,328.80 at 4.3% ending October 1, 2019.	263,607	-	102,595	161,012	107,773
Note with USDA; principal amount \$460,160 dated November 3, 2011; payments of \$4,607 beginning on December 3, 2011 through November 3, 2021 at 3.75%.	224,106	-	47,693	176,413	49,439
General Obligation Bond, Series 2012B, with SunTrust Bank, principal amount of \$1,733,500 issued November 28, 2012 with interest at 3.86% (subject to an interest rate reset in future years) due semi-annually on February 15 and August 15 of each year with an annual principal payment due on February 15 each year.	1,483,500	-	68,500	1,415,000	71,500
Note with BB&T, principal amount \$462,820 dated April 24, 2012 with monthly payments of \$5,846 beginning May 24, 2012 and ending April 24, 2019 at 1.69% interest.	126,551	-	68,541	58,010	58,010

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Note with Union Bank and Trust for boat and canoe/kayak launch, \$200,000 at 3.75% for 5 years commencing on November 20, 2013.	60,512	-	42,435	18,077	18,077
Note with First Citizens Bank for public works equipment in the amount of \$126,282 at 1.85% for 60 months commencing December 2, 2013 with payments of \$2,205.16 per month.	39,117	-	25,937	13,180	13,180
General fund portion of GO Refunding Bond with Carter Bank and Trust for \$4,770,500 issued June 16, 2014 at 3.15%. Interest payments are due semi-annually on January 15 and July 15 of each year with an annual principal payment due on July 15. Bond matures on July 15, 2034.	51,988	-	2,444	49,544	2,519
Lease with BB&T dated November 17, 2015 for the re-chassis of a firetruck. Payments of \$1,926.38 of principal and interest at 2.17%. Interest payments are made over 84 months due on the 17th of each month.	118,035	-	20,760	97,275	21,216
Lease with Carter Bank & Trust dated January 30, 2018 payable over 7 years at 2.5% interest.	-	34,249	1,883	32,366	4,581
Lease with Carter Bank & Trust dated January 13, 2016 for two police cruisers with monthly payments of \$1,991 at 1.5% interest over 36 months.	37,368	-	23,492	13,876	13,876
Lease with Carter Bank & Trust dated March 13, 2018 for police vehicles for 3 years with interest of 1.95%.	-	75,868	6,094	69,774	24,919
Lease with Carter Bank & Trust dated March 2, 2016 for an animal control vehicle and dump truck with 84 payments of \$1,466 at 1.75%.	96,193	-	16,036	80,157	16,296
General Obligation Bond Series 2015A with Carter Bank & Trust for \$1,800,000 dated August 13, 2015 at 2.95% commencing March 1, 2016 and terminating September 1, 2034.	<u>1,730,000</u>	<u>-</u>	<u>75,000</u>	<u>1,655,000</u>	<u>75,000</u>
Subtotal	6,228,645	110,117	632,588	5,706,174	605,262
Compensated Absences	<u>395,996</u>	<u>37,880</u>	<u>-</u>	<u>433,876</u>	<u>43,388</u>
Total Governmental Activities	6,624,641	147,997	632,588	6,140,050	648,650

Business-Type Activities	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018	Due Within One Year
BB&T Lease, principal amount of \$46,424 issued September 15, 2016 with payments starting October 15, 2016, with interest at 1.78% due and payable in 84 monthly payments of \$588 ending September 15, 2023.	41,722	-	6,368	35,354	6,482
General Obligation Bond Series 2014 at 3.10% payments of principal due annually on November 1 of each year and interest due semi-annually May 1 and November 1, maturing November 1, 2034.	1,584,000	-	67,000	1,517,000	69,000
General Obligation Refunding Bond, Series 2006 with Carter Bank and Trust , principal amount of \$7,560,000, issued June 15, 2006, with interest at 1.21%, subject to be reset in future years, interest due and payable in semi-annual installments on May 1 and November 1, commencing November 1, 2006. Principal shall be due and payable in annual installments on May 1 of each year, commencing May 1, 2007 through and including the maturity date of May 1, 2036. (Utility Fund Portion)	4,008,927	-	144,886	3,864,041	150,681
USDA Rural Development General Obligation and Revenue Water System Bond, Series 2013A issued December 16, 2013 with a maximum face amount of \$9,000,000 at 2.375% interest payable over 40 years with the first two years having interest only with principal paid annually thereafter with interest paid semi-annually.	8,775,503	-	484,229	8,291,274	157,456
USDA Rural Development General Obligation & Revenue Water System Bond, Series 2012A at 2.00%; interest only for first 24 months, paid annually, then 456 monthly payments of \$5,769.	1,734,491	-	34,855	1,699,636	35,553
Water and sewer portion of GO Refunding Bond with Carter Bank and Trust for \$4,770,500 issued June 16, 2014 at 3.15%. Interest payments are due semi-annually on January 15 and July 15 of each year with an annual principal payment due on July 15. Bond matures on July 15, 2034.	4,107,012	-	193,056	3,913,956	198,981
Subtotal	20,251,655	-	930,394	19,321,261	618,153
Compensated Absences	183,862	8,501	-	192,363	19,236
Total Business-Type Activities	20,435,517	8,501	930,394	19,513,624	637,389
Total Primary Government	\$ 27,060,158	\$ 156,498	\$ 1,562,982	\$ 25,653,674	\$ 1,286,039

11 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2018 is determined as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Net Investment in Capital Assets		
Cost of capital assets	\$ 38,335,949	\$ 33,701,481
Less: Accumulated depreciation	<u>22,899,616</u>	<u>11,221,004</u>
Book value	15,436,333	22,480,477
Less: Capital related debt	<u>5,706,174</u>	<u>19,321,261</u>
Net Investment in Capital Assets	<u>\$ 9,730,159</u>	<u>\$ 3,159,216</u>

12 Deferred Inflows of Resources

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

Primary Government

General Fund

Delinquent taxes not collected within 60 days	\$ 109,953
Prepaid property taxes - property taxes paid in advance	<u>347,158</u>

Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 457,111</u>
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13 Risk Management

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

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

The following constitutional and appointed officers are insured through the Commonwealth of Virginia, Department of the Treasury, and Division of Risk Management in effect at June 30, 2018:

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

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

14 Commitments and Contingencies

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

15 Litigation

At June 30, 2018, there were no matters of litigation involving the City which would materially affect the City's financial position should any court decisions or pending matters not be favorable to such entities.

16 Legal Compliance

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

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	\$ <u>366,505,926</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 36,650,593
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross debt	<u>26,591,593</u>
Legal Debt Margin - June 30, 2018	\$ <u>10,059,000</u>

Note: Includes all long-term general obligation bonded debt, USDA Note, and Southside Regional Jail Debt as disclosed in Note 10. Excludes capital leases, notes, pension benefits, postretirement health care benefits, and compensated absences.

17 Pension Plan

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

Hybrid Opt-In Election

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

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

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

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

PLAN 2

About Plan 2

Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.

Eligible Members

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

Hybrid Opt-In Election

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

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

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

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.

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

Eligible Members

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

- Political subdivision employees*
- Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

**Non-Eligible Members*

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

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service

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

Vesting

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

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

PLAN 2

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID

RETIREMENT PLAN

Retirement Contributions

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

Creditable Service

Defined Benefit Component:

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

Defined Contributions Component:

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

Vesting

Defined Benefit Component:

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

Defined Contributions Component:

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

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

PLAN 1

Calculating the Benefit

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

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

Average Final Compensation

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

Service Retirement Multiplier

VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

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

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

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

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

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

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

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

Average Final Compensation

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

Service Retirement Multiplier

Defined Benefit Component:

VRS: The retirement multiplier for the defined benefit component is 1.00%.

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

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1*Normal Retirement Age*

VRS: Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Political subdivisions hazardous duty employees:
Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility

VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Political subdivisions hazardous duty employees:
Age 50 with at least five years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

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

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

PLAN 2*Normal Retirement Age*

VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

VRS: Age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN***Normal Retirement Age***Defined Benefit Component:**

VRS: Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

*Earliest Unreduced Retirement Eligibility***Defined Benefit Component:**

VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

*Earliest Reduced Retirement Eligibility***Defined Benefit Component:**

VRS: Age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

*Cost-of-Living Adjustment (COLA) in Retirement***Defined Benefit Component:**

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

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

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

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

Purchase of Prior Service

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

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

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

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

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

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

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	64
Inactive members:	
Vested inactive members	10
Non-vested inactive members	23
Inactive members active elsewhere in VRS	<u>45</u>
Total inactive members	78
Active members	<u>97</u>
Total covered employees	<u>239</u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00%-member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00%-member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00%-member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2018 was 11.18% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$537,388 and \$500,390 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016 using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2016 using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020: males set forward 3 years; females 1.0% increase compounded from ages 70-90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation *

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related.

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant rates at ages 81 and older projected with a scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	<u>15.00%</u>	9.53%	<u>1.43%</u>
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

		<u>Increase (Decrease)</u>	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 25,072,691	\$ 21,824,872	\$ 3,247,819
Changes for the Year			
Service cost	558,549	-	558,549
Interest	1,718,299	-	1,718,299
Benefit changes	-	-	-
Changes of assumptions	(94,063)	-	(94,063)
Differences between expected and actual experience	(599,615)	-	(599,615)
Contributions - employer	-	494,818	(494,818)
Contributions - employee	-	219,230	(219,230)
Net investment income	-	2,650,279	(2,650,279)
Benefit payments, including refunds	(1,051,117)	(1,051,117)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(15,335)	15,335
Other changes	-	(2,357)	2,357
Net Changes	<u>532,053</u>	<u>2,295,518</u>	<u>(1,763,465)</u>
Balances at June 30, 2017	<u>\$ 25,604,744</u>	<u>\$ 24,120,390</u>	<u>\$ 1,484,354</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Current	
	1% Decrease	1% Increase
	(6.00%)	(7.00%)
Political subdivision's Net Pension Liability	\$ 4,561,650	\$ 1,484,354
		\$(1,093,421)

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

For the year ended June 30, 2018, the political subdivision recognized pension expense of \$92,816. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 126,510	\$ 472,987
Change in assumptions	-	64,941
Net difference between projected and actual earnings on pension plan investments	-	347,900
Employer contributions subsequent to the measurement date	<u>537,388</u>	<u>-</u>
Total	<u>\$ 663,898</u>	<u>\$ 885,828</u>

\$537,388 reported as deferred outflows of resources related to pensions resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended
June 30.**

2019	\$(414,842)
2020	(68,190)
2021	(49,295)
2022	(226,991)
2023	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan's Fiduciary Net Position is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017_-_annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

18 **Group Life Insurance Program**

Plan Description

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

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums.

Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

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

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • - City of Norfolk • Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit – The accidental death benefit is double the natural death benefit. • Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: - Accidental dismemberment benefit - Safety belt benefit - Repatriation benefit - Felonious assault benefit - Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%).

Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the entity were \$24,995 and \$23,374 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the entity reported a liability of \$365,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .02426% as compared to .02310% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$7,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	14,000
Change in assumptions	-	19,000
Changes in proportionate share	17,000	-
Employer contributions subsequent to the measurement date	<u>24,995</u>	<u>-</u>
Total	<u>\$ 41,995</u>	<u>\$ 41,000</u>

\$24,995 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

**Year Ended
June 30.**

2019	\$ (5,000)
2020	(5,000)
2021	(5,000)
2022	(5,000)
2023	(2,000)
Thereafter	(2,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5 percent
Salary increases, including inflation -	
General state employees	3.5 percent - 5.35 percent
Teachers	3.5 percent - 5.95 percent
SPORS employees	3.5 percent - 4.75 percent
VaLORS employees	3.5 percent - 4.75 percent
JRS employees	4.5 percent
Locality - General employees	3.5 percent - 5.35 percent
Locality - Hazardous Duty employees	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of the OPEB liabilities.

Mortality rates – General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:
 RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Mortality rates – Teachers

Pre-Retirement:
 RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:
 RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:
 RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Mortality rates – SPORS Employees

Pre-Retirement:
 RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Mortality rates – VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Mortality rates – JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Mortality rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Mortality rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

Group Life Insurance OPEB Program

Total GLI OPEB Liability	\$	2,942,426
Plan Fiduciary Net Position		<u>1,437,586</u>
Employers' Net GLI OPEB Liability (Asset)	\$	<u><u>1,504,840</u></u>

Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%
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The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	<u>15.00%</u>	9.53%	<u>1.43%</u>
Total	<u>100.00%</u>		<u>4.80%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

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

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Employer's Proportionate Share of the Group Life Insurance Program Net OPEB Liability	\$ 472,000	\$ 365,000	\$ 278,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2017_-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

19 Other Post-Employment Benefits Plan

Plan Description

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

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

Anthem KA 500
Anthem KA Expanded

Retirees who are Medicare eligible may only elect the Medicare supplement.

Employees Covered by Benefits Terms

The valuation date is June 30, 2017, the date that the actuarial valuation was performed. The measurement date is June 30, 2018, the date of which the total OPEB liability was determined. This is also the plan's fiscal year ending date.

As of the June 30, 2017 actuarial valuation, participant data in the Plan was as follows:

	<u>Number</u>
Active Members	98
Retirees	2
Beneficiaries	0
Spouses of Retirees	<u>1</u>
Total Covered Employees	<u>101</u>

Changes in Total OPEB Liability

	<u>Increase (Decrease)</u> <u>Total OPEB Liability</u>
Balances at June 30, 2017	\$ 364,763
Changes for the Year	
Service cost	16,679
Interest on total OPEB liability	12,843
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	(12,705)
Benefits payments	<u>(29,198)</u>
Balances at June 30, 2018	<u>\$ 352,382</u>

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using a discount rate of 3.87%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate.

Using Discount Rates	1.00% Decrease (2.87%)	Current Discount Rate (3.87%)	1.00% Increase (4.87%)
Total OPEB Liability	\$ 387,697	\$ 352,382	\$ 320,188

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates, as well as what the City's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

Using Current Healthcare Cost Trend Rates	1.00% Decrease	Current Trend Rate	1.00% Increase
Total OPEB Liability	\$ 307,369	\$ 352,382	\$ 405,818

As of June 30, 2018, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	(10,552)
Employer contributions subsequent to the measurement date	<u>30,000</u>	<u>-</u>
Total	<u>\$ 30,000</u>	<u>\$ (10,552)</u>

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

**Year Ended
June 30,**

2019	\$ (2,153)
2020	(2,153)
2021	(2,153)
2022	(2,153)
2023	(1,940)
Thereafter	-

OPEB Liability

The Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 74 and 75.

Discount Rate

Discount Rate	3.50%	3.87%
20 Year Tax-Exempt Municipal Bond Yield	3.58%	3.87%

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

Other Key Actuarial Assumptions

The plan has not had a formal actuarial experience study performed.

Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2017	June 30, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Inflation	2.50%	2.50%
Medical Trend Rate	7.30% - 4.20% over 80 years	7.30% - 4.20% over 80 years

20 Fund Balances – Governmental Funds

As of June 30, 2018, fund balances are composed of the following:

	Primary Government			
	General Fund	Emporia Redevelopment and Housing Authority Fund	Emporia Industrial Development Authority Fund	Total Governmental Funds
Restricted for				
Drug seizure	\$ 48,713	\$ -	\$ -	\$ 48,713
Courthouse security and court services	1,079,332	-	-	1,079,332
DHCD - electronic summons system fee	56,277	-	-	56,277
Program income projects	7,016	22,233	-	29,249
Animal Shelter & Street Projects	131,086	-	-	131,086
Four for Life	4,806	-	-	4,806
Citizens Bank building investment	-	1,310,309	-	1,310,309
Total Restricted Balances	1,327,230	1,332,542	-	2,659,772
Assigned	-	24,842	84,803	109,645
Unassigned	11,816,073	-	-	11,816,073
Total Fund Balances	<u>\$ 13,143,303</u>	<u>\$ 1,357,384</u>	<u>\$ 84,803</u>	<u>\$ 14,585,490</u>

21 Tax Abatements

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatements with one entity as of June 30, 2018.

<u>Type Business</u>	<u>Purpose</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Manufacturing	Machinery and tools tax Utility tax (local)	50.000%	\$ 109,603

22 Restatement of Beginning Balances

The net position of the governmental activities and business-type activities have been restated to reflect the cumulative effect resulting from the implementation of GASB Statement #75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The following reflects the effect of implementation of this new accounting standard.

Net Position Restated Due to GASB 75 Implementation

Governmental Activities

Net Position - Beginning of Year	
As Previously Reported June 30, 2017	\$ 21,643,324
VRS OPEB group life insurance	(330,068)
OPEB retiree health insurance	<u>(291,482)</u>
Net Position - Beginning of Year	
Restated July 1, 2017	<u>\$ 21,021,774</u>

Business-Type Activities

Net Position - Beginning of Year	
As Previously Reported June 30, 2017	\$ 3,781,992
VRS OPEB group life insurance	(73,932)
OPEB retiree health insurance	<u>(73,281)</u>
Net Position - Beginning of Year	
Restated July 1, 2017	<u>\$ 3,634,779</u>

23 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2018 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2018. Management has performed their analysis through January 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION



City of Emporia, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2018

General Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Real property taxes	\$ 3,020,476	\$ 3,020,476	\$ 2,951,404	\$ (69,072)
Personal property taxes	1,400,000	1,400,000	1,495,008	95,008
Public service corporation property taxes	195,000	195,000	204,316	9,316
Delinquent taxes	165,000	165,000	356,784	191,784
Penalties and interest on taxes	64,000	64,000	59,425	(4,575)
Total General Property Taxes	4,844,476	4,844,476	5,066,937	222,461
Other Local Taxes				
Local sales and use taxes	1,775,000	1,775,000	1,914,322	139,322
Consumers' utility taxes	390,000	390,000	398,024	8,024
Business license taxes	800,000	800,000	783,576	(16,424)
Motor vehicle licenses	108,000	108,000	128,072	20,072
Bank stock taxes	150,000	150,000	195,322	45,322
Tax on recordation and wills	15,000	15,000	22,453	7,453
Lodging taxes	1,300,000	1,300,000	1,495,818	195,818
Meals taxes	2,130,000	2,130,000	2,135,881	5,881
Total Other Local Taxes	6,668,000	6,668,000	7,073,468	405,468
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	2,100	2,100	2,671	571
Planning and zoning	2,650	2,650	3,790	1,140
Building permits	13,000	13,000	12,587	(413)
Total Permits, Privilege Fees, and Regulatory Licenses	17,750	17,750	19,048	1,298
Fines and Forfeitures	750,000	750,000	505,255	(244,745)
Revenue from Use of Money and Property				
Revenue from use of money	62,000	62,000	113,819	51,819
Revenue from use of property	2,000	2,000	2,803	803
Total Revenue from Use of Money and Property	64,000	64,000	116,622	52,622

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Charges for Services				
Charges for sanitation and waste removal	790,000	790,000	807,364	17,364
Total Charges for Services	790,000	790,000	807,364	17,364
Recovered Costs				
From Greensville County, Virginia	58,500	58,500	146,855	88,355
Other recovered costs	454,245	457,856	368,089	(89,767)
Total Recovered Costs	512,745	516,356	514,944	(1,412)
Miscellaneous				
Total Miscellaneous	18,664	18,664	30,488	11,824
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Auto rental taxes	34,000	34,000	26,794	(7,206)
Mobile home titling tax	-	-	75	75
Rolling stock taxes - motor vehicle carriers tax	12,000	12,000	1,201	(10,799)
Personal Property Tax Relief	570,319	570,319	570,320	1
Communication taxes	255,000	255,000	244,000	(11,000)
Recordation and grantors' tax	5,500	5,500	5,700	200
Total Noncategorical Aid	876,819	876,819	848,090	(28,729)
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Sheriff	148,545	148,545	142,484	(6,061)
Commissioner of the Revenue	67,296	67,296	67,257	(39)
Treasurer	66,687	66,687	66,654	(33)
Registrar/Electoral Board	35,288	35,288	35,656	368
Law enforcement grants	212,292	212,292	212,292	-
Emergency services grants	-	-	4,806	4,806
Litter control	-	6,038	6,038	-
State asset forfeiture funds	10,000	10,000	2,141	(7,859)
E 911 Wireless	347,000	347,000	172,835	(174,165)
Fire program funds	-	22,000	20,000	(2,000)
State sales tax - education	1,173,341	1,177,825	1,108,671	(69,154)
Virginia Commission for the Arts	5,000	5,000	4,500	(500)
Street and highway maintenance	1,125,377	1,125,377	1,113,227	(12,150)
Family violence prevention	62,120	62,120	60,952	(1,168)
Virginia Juvenile Community Crime Control	100,598	100,598	63,101	(37,497)
Criminal justice service - Sexual Assault	-	-	44,202	44,202
Criminal justice service - Victim Witness	110,876	110,876	21,952	(88,924)
VDSS Child Advocacy Services	-	103,754	12,729	(91,025)
Commonwealth Opportunity Funds	-	50,000	50,000	-
Total Categorical Aid	3,464,420	3,650,696	3,209,497	(441,199)
Total Revenue from the Commonwealth of Virginia	4,341,239	4,527,515	4,057,587	(469,928)

Variance
With
Final Budget
Positive
(Negative)

	Original Budget	Final Budget	Actual	
Revenue from the Federal Government				
Department of Justice grants - Sexual Assault Grant	303,265	303,265	232,061	(71,204)
Department of Justice grants - Sexual Assault Formula	-	15,911	7,882	(8,029)
Dept. of Housing and Urban Development - E. Atlantic	1,000,000	1,000,000	2,125	(997,875)
Emergency services grants	10,285	10,285	20,473	10,188
DOJ Justice Assistance grants	-	-	1,188	1,188
VDSS Child Advocacy Services	-	-	82,449	82,449
Victim Witness Assistance	-	-	65,856	65,856
Victim Witness - New Initiative Grant	-	95,099	74,182	(20,917)
Total Revenue from the Federal Government	1,313,550	1,424,560	486,216	(938,344)
Total Intergovernmental Revenues	5,654,789	5,952,075	4,543,803	(1,408,272)
Total Revenues	19,320,424	19,621,321	18,677,929	(943,392)

Expenditures

Current

General Government Administration

Legislative	198,203	199,653	202,073	(2,420)
City Manager	530,831	530,831	476,480	54,351
Legal services	44,700	44,700	37,608	7,092
Commissioner of Revenue	280,375	280,375	277,219	3,156
Treasurer	114,546	114,546	108,807	5,739
Director of Finance	237,036	232,391	228,095	4,296
Data processing	32,107	35,302	27,123	8,179
Board of Elections/Registrar	106,486	184,766	169,488	15,278
Total General Government Administration	1,544,284	1,622,564	1,526,893	95,671

Judicial Administration

Circuit Court - shared services	2,326,575	2,332,246	2,235,380	96,866
Juvenile and Domestic Relations Court	147,735	143,406	139,088	4,318
Sheriff	264,642	264,841	240,488	24,353
VDSS Child Advocacy Services	-	103,753	95,177	8,576
Family violence	62,120	62,120	60,955	1,165
Sexual assault	303,265	319,176	284,196	34,980
Victim Witness	110,876	205,975	161,991	43,984
VJCCC Grant	109,515	109,515	109,515	-
Total Judicial Administration	3,324,728	3,541,032	3,326,790	214,242

Public Safety

Police Department	3,692,951	3,692,951	3,292,560	400,391
Volunteer Fire Department	101,324	167,798	148,296	19,502
Ambulance and rescue service	19,765	23,184	16,893	6,291
Animal control	131,856	131,856	129,143	2,713
Emergency services	47,879	76,004	74,944	1,060
Total Public Safety	3,993,775	4,091,793	3,661,836	429,957

Public Works

Maintenance of highways, streets, bridges, sidewalks	1,107,028	1,117,211	1,070,237	46,974
Refuse collection	763,385	771,423	774,943	(3,520)
Engineering	130,780	132,280	131,625	655
City Shop	190,023	190,023	188,508	1,515
General buildings and grounds	7,461,615	7,516,615	319,772	7,196,843
Total Public Works	9,652,831	9,727,552	2,485,085	7,242,467

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Health and Welfare</i>				
Local health	76,363	76,363	76,363	-
Crater Area Agency on Aging	4,034	4,034	-	4,034
Mental Health and Mental Retardation	39,471	39,471	39,471	-
Children's services act	156,943	156,943	156,943	-
Welfare and social services	<u>202,718</u>	<u>202,718</u>	<u>180,141</u>	<u>22,577</u>
Total Health and Welfare	479,529	479,529	452,918	26,611
<i>Education</i>				
Superintendent	500	500	500	-
Contract services (shared costs)	4,610,061	4,614,545	4,760,304	(145,759)
Community Colleges	<u>44,568</u>	<u>44,568</u>	<u>44,568</u>	<u>-</u>
Total Education	4,655,129	4,659,613	4,805,372	(145,759)
<i>Parks, Recreation, and Cultural</i>				
Parks and recreation	253,420	257,420	245,515	11,905
Regional library	<u>94,949</u>	<u>94,949</u>	<u>94,949</u>	<u>-</u>
Total Parks, Recreation, and Cultural	348,369	352,369	340,464	11,905
<i>Community Development</i>				
Zoning Board	800,217	800,217	592,310	207,907
Economic development	1,253,160	1,328,647	182,236	1,146,411
Airport Commission	76,450	76,450	76,450	-
Cooperative Extension Program	<u>45,914</u>	<u>45,914</u>	<u>35,146</u>	<u>10,768</u>
Total Community Development	2,175,741	2,251,228	886,142	1,365,086
<i>Debt Service</i>	<u>1,042,998</u>	<u>1,037,798</u>	<u>676,798</u>	<u>361,000</u>
Total Expenditures	<u>27,217,384</u>	<u>27,763,478</u>	<u>18,162,298</u>	<u>9,601,180</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,896,960)	(8,142,157)	515,631	8,657,788
Other Financing Sources (Uses)				
Transfers out	(100,000)	(100,000)	(122,762)	(22,762)
Issuance of debt	<u>7,035,000</u>	<u>7,035,000</u>	<u>110,117</u>	<u>(6,924,883)</u>
Total Other Financing Sources (Uses)	<u>6,935,000</u>	<u>6,935,000</u>	<u>(12,645)</u>	<u>(6,947,645)</u>
Net Change in Fund Balance	(961,960)	(1,207,157)	502,986	1,710,143
From Surplus	<u>961,960</u>	<u>1,207,157</u>	<u>-</u>	<u>(1,207,157)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	502,986	<u>\$ 502,986</u>
Fund Balance - Beginning of Year			<u>12,640,317</u>	
Fund Balance - End of Year			<u>\$ 13,143,303</u>	

Emporia Redevelopment and Housing Authority Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Recovered costs	\$ 1,680	\$ 1,680	\$ 1	\$ (1,679)
Use of money and property	<u>197</u>	<u>197</u>	<u>305</u>	<u>108</u>
Total Revenues	1,877	1,877	306	(1,571)
Expenditures				
Community Development	<u>84,755</u>	<u>84,755</u>	<u>14,963</u>	<u>69,792</u>
Excess (Deficiency) of Revenues Over Expenditures	(82,878)	(82,878)	(14,657)	68,221
Other Financing Sources (Uses)				
Transfers in	<u>30,100</u>	<u>30,100</u>	<u>14,037</u>	<u>(16,063)</u>
Net Change in Fund Balance Before Transfer from Surplus	(52,778)	(52,778)	(620)	52,158
Transfer from Surplus Funds	<u>52,778</u>	<u>52,778</u>	<u>-</u>	<u>(52,778)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(620)	<u>\$ (620)</u>
Fund Balance - Beginning of Year			<u>1,358,004</u>	
Fund Balance - End of Year			<u>\$ 1,357,384</u>	

Emporia Industrial Development Authority Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Use of money and property	\$ -	\$ -	\$ 206,947	\$ 206,947
Total Revenues	-	-	206,947	206,947
Expenditures				
Community Development	-	-	233,395	(233,395)
Debt Service	-	-	111,946	(111,946)
Total Expenditures	-	-	345,341	(345,341)
Excess (Deficiency) of Revenues Over Expenditures	-	-	(138,394)	(138,394)
Other Financing Sources (Uses)				
Transfers in	-	-	108,725	108,725
Change in Fund Balance	\$ -	\$ -	(29,669)	\$ (29,669)
Fund Balance - Beginning of Year			114,472	
Fund Balance - End of Year			\$ 84,803	

City of Emporia, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability
and Related Ratios

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 558,549	\$ 539,612	\$ 504,675	\$ 509,477
Interest	1,718,299	1,620,434	1,573,674	1,499,113
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(599,615)	288,704	(393,028)	-
Changes in assumptions	(94,063)	-	-	-
Benefit Payments, including refunds of employee contributions	<u>(1,051,117)</u>	<u>(1,050,238)</u>	<u>(984,394)</u>	<u>(902,468)</u>
Net change in total pension liability	532,053	1,398,512	700,927	1,106,122
Total pension liability - beginning	<u>25,072,691</u>	<u>23,674,179</u>	<u>22,973,252</u>	<u>21,867,130</u>
Total pension liability - ending (a)	<u>\$ 25,604,744</u>	<u>\$ 25,072,691</u>	<u>\$ 23,674,179</u>	<u>\$ 22,973,252</u>
 Plan fiduciary net position				
Contributions - employer	\$ 494,818	\$ 506,409	\$ 508,462	\$ 528,196
Contributions - employee	219,230	204,860	206,241	214,325
Net investment income	2,650,279	378,168	963,146	2,898,251
Benefit Payments, including refunds of employee contributions	(1,051,117)	(1,050,238)	(984,394)	(902,468)
Administrative expense	(15,335)	(13,592)	(13,256)	(15,585)
Other	<u>(2,357)</u>	<u>(160)</u>	<u>(203)</u>	<u>153</u>
Net change in plan fiduciary net position	2,295,518	25,447	679,996	2,722,872
Plan fiduciary net position - beginning	<u>21,824,872</u>	<u>21,799,425</u>	<u>21,119,429</u>	<u>18,396,557</u>
Plan fiduciary net position - ending (b)	<u>\$ 24,120,390</u>	<u>\$ 21,824,872</u>	<u>\$ 21,799,425</u>	<u>\$ 21,119,429</u>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$ 1,484,354</u>	<u>\$ 3,247,819</u>	<u>\$ 1,874,754</u>	<u>\$ 1,853,823</u>
 Plan fiduciary net position as a percentage of the total Pension liability	5.80%	12.95%	7.92%	8.07%
 Covered payroll	\$ 4,475,770	\$ 4,147,860	\$ 4,157,086	\$ 4,116,544
 Political subdivision's net pension liability as a percentage of covered payroll	33.16%	78.30%	45.10%	45.03%

City of Emporia, Virginia

Schedule of Employer Contributions

For the Years Ended June 30, 2009 through 2018

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
2018	\$ 537,388	\$ 537,388	\$ -	\$ 4,806,696		11.18%
2017	500,390	500,390	-	4,475,770		11.18%
2016	508,943	508,943	-	4,147,860		12.27%
2015	510,074	510,074	-	4,157,086		12.27%
2014	N/A	N/A	N/A	N/A		N/A
2013	N/A	N/A	N/A	N/A		N/A
2012	N/A	N/A	N/A	N/A		N/A
2011	N/A	N/A	N/A	N/A		N/A
2010	N/A	N/A	N/A	N/A		N/A
2009	N/A	N/A	N/A	N/A		N/A

For Reference Only:

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

Column 2 – Actual employer contribution remitted to VRS

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

City of Emporia, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2018

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – Non-Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 20%

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 15%

Largest 10 – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increase rate from 60% to 70%

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decrease rate from 60% to 45%

City of Emporia, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Program
For the Year Ended June 30, 2018*

2018

Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.02426%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 365,000
Employer's Covered Payroll	\$4,475,770
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

Schedule is intended to show information for 10 years. Since 2018 is the first year of presentation, only one year of data is available. However, additional years will be included as they become available.

*The amounts presented have a measurement date of the previous fiscal year end.

City of Emporia, Virginia

Schedule of Employer Contributions for VRS OPEB Group Life Insurance

For the Years Ended June 30, 2009 through 2018

Date	Contributions in Relation to		Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)			
2018	\$ 24,995	\$ 24,995	\$ -	\$ 4,806,696	0.52%
2017	23,374	23,374	-	4,475,770	0.52%
2016	19,927	19,927	-	4,151,540	0.48%
2015	19,954	19,954	-	4,157,087	0.48%
2014	19,576	19,576	-	4,078,419	0.48%
2013	19,402	19,402	-	4,042,156	0.48%
2012	10,402	10,402	-	3,714,991	0.28%
2011	10,897	10,897	-	3,891,612	0.28%
2010	8,187	8,187	-	3,032,320	0.27%
2009	10,998	10,998	-	4,073,185	0.27%

For Reference Only:

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

Column 2 – Actual employer contribution remitted to VRS

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

City of Emporia, Virginia

Notes to Required Supplementary Information VRS OPEB GLI

For the Year Ended June 30, 2018

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

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increase rate from 14% to 25%

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70-75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

JRS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers – General Employees

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

Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

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

City of Emporia, Virginia

Schedule of Changes in Total OPEB Liability and Related Ratios

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 16,679
Interest on total OPEB liability	12,843
Effect of plan changes	-
Effect of economic/demographic gains or (losses)	-
Effect of assumption changes or inputs	(12,705)
Benefit payments	<u>(29,198)</u>
Net change in total OPEB liability	(12,381)
Total OPEB liability - beginning	<u>364,763</u>
Total OPEB liability - ending (a)	<u><u>\$ 352,382</u></u>
Covered payroll	\$4,876,760
Political subdivision's net OPEB liability as a percentage of covered payroll	7.23%

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

City of Emporia, Virginia

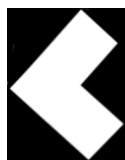
Schedule of Contributions - OPEB Retiree Health Insurance

For the Years Ended June 30, 2009 through 2018

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2018	\$ 30,000	\$ 30,000	\$ -	\$4,876,760	0.62%
2017	29,700	29,700	-	4,512,300	0.66%
2016	N/A	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A
2009	N/A	N/A	N/A	N/A	N/A

COMPLIANCE SECTION





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

To the City Council
City of Emporia, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Emporia, Virginia (including its blended component units), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Emporia, Virginia's basic financial statements, and have issued our report thereon dated January 30, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

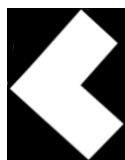
Purpose of this Report

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
January 30, 2019



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& Alga

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
City of Emporia, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Emporia, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Emporia, Virginia's major federal programs for the year ended June 30, 2018. City of Emporia, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Emporia, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, the Uniform Guidance, and specifications require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Emporia, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Emporia, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

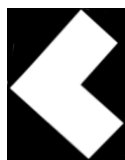
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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



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

South Hill, Virginia
January 30, 2019



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REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS, CONTRACTS, AND GRANTS

To the City Council
City of Emporia, Virginia

We have audited the financial statements of the City of Emporia, Virginia, as of and for the year ended June 30, 2018, and have issued our report thereon dated January 30, 2019.

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

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

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

Code of Virginia

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

State Agency Requirements

- Social Services
- Education
- Children's Services Act Funds
- Economic Development Opportunity Fund

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

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
January 30, 2019

City of Emporia, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- through Entity Identifying Number	Total Federal Expenditures
U. S. Department of Housing and Urban Development (HUD)			
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Housing and Community Development</i>			
Community Development Block Grants/State's Program	14.228	165	\$ 2,125
Subtotal - U. S. Department of Housing and Urban Development			2,125
U. S. Department of Homeland Security (DHS)			
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Emergency Management</i>			
Emergency Management Performance Grants	97.042	127	10,285
Subtotal - U. S. Department of Homeland Security			10,285
U. S. Department of Justice (DOJ)			
Direct Payments			
<i>Bureau of Justice Assistance</i>			
Bulletproof Vest Partnership Program	16.607	N/A	1,188
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Criminal Justice Services</i>			
Sexual Assault Services Formula Program	16.017	140	7,882
Victim Witness Assistance Grant	16.575	140	65,856
Sexual Assault Program Grant	16.575	140	232,061
Victim Witness Program/New Initiative Grant	16.575	140	74,183
<i>Commonwealth of Virginia Department of Social Services</i>			
Child Advocacy Centers Grant	16.575	765	29,496
Subtotal - CFDA #16.575 Crime Victim Assistance			401,596
Subtotal - U. S. Department of Justice			410,666
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Social Services</i>			
TANF Cluster			
Temporary Assistance for Needy Families (TANF)			
State Programs (Child Advocacy Centers Grant)	93.558	765	52,953
Subtotal - U. S. Department of Health and Human Services			52,953
U.S. Department of Agriculture (USDA)			
Direct Payments			
<i>Rural Utilities Service</i>			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	692,282
Subtotal - U. S. Department of Agriculture			692,282
Grand Totals			\$ 1,168,311

See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of City of Emporia, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Emporia, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Emporia, Virginia.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

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

4. Subrecipients

No awards passed through to subrecipients.

5. Federal Loans Outstanding

City of Emporia, Virginia had the following federal loan balances outstanding at year-end:

Federal Loans Outstanding through United States Department of Agriculture Program	Federal Catalog Number	Amount Outstanding
Rural Utilities Service		
Water and Waste Disposal Systems for Rural Communities		
USDA Rural Development General Obligation Water System		
Bond Series 2013A	10.760	<u>\$ 8,291,274</u>

City of Emporia, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the audited financial statement was prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

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

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

Major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.760

Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as low-risk auditee? Yes

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

None

3. Findings and Questioned Costs Relating to Federal Awards

None