

City of Emporia, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2020



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

City of Emporia, Virginia

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Year Ended June 30, 2020

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FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Emporia, Virginia

Report on the Financial Statements

We were engaged to audit 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, 2020, 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 an opinion on these financial statements based on conducting the 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were unable to perform tests of the reconciliation of operating cash accounts for both the governmental and business-type checking accounts (three accounts). Because of the possible pervasive effect of these major accounts not being reconciled on the financial statements as a whole, we feel we have not obtained sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Other Matters

Required Supplementary Information

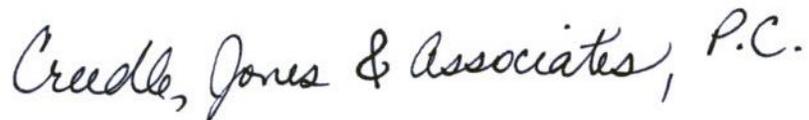
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 1-8, 63-68, and 69-78 be presented to supplement the basic financial statements. 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 October 28, 2021, 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.



Credle, Jones & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
October 28, 2021

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, 2020. We encourage readers to read this discussion and analysis in conjunction with the City's basic financial statements.

Financial Highlights

- 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 \$21,270,948. Of this amount, \$11,035,666 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 \$4,131,753 with an unrestricted balance of \$1,900,528.
- The City's total net position decreased by \$936,685 during the current fiscal year. Of this amount, a decrease of \$1,136,347 is related to governmental activities and an increase of \$199,662 is attributed to business-type activities.
- As of June 30, 2020, the City's Governmental Funds reported combined ending fund balances of \$14,395,771, a decrease of \$316,523 in comparison with the prior year. Approximately 90.3% of this amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of fiscal year 2020, the General Fund unassigned fund balance was \$13,005,094, or approximately 64.1% 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, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 15,485,073	\$ 15,571,822	\$ 4,127,144	\$ 6,353,685	\$ 19,612,217	\$ 21,925,507
Capital assets (net)	<u>14,048,124</u>	<u>14,706,687</u>	<u>24,633,606</u>	<u>23,341,011</u>	<u>38,681,730</u>	<u>38,047,698</u>
Total Assets	<u>29,533,197</u>	<u>30,278,509</u>	<u>28,760,750</u>	<u>29,694,696</u>	<u>58,293,947</u>	<u>59,973,205</u>
Deferred Outflows of Resources	<u>1,095,911</u>	<u>573,585</u>	<u>215,037</u>	<u>129,001</u>	<u>1,310,948</u>	<u>702,586</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 30,629,108</u>	<u>\$ 30,852,094</u>	<u>\$ 28,975,787</u>	<u>\$ 29,823,697</u>	<u>\$ 59,604,895</u>	<u>\$ 60,675,791</u>
Liabilities						
Other liabilities	\$ 1,022,877	\$ 756,273	\$ 446,543	\$ 666,319	\$ 1,469,420	\$ 1,422,592
Long-term liabilities	<u>7,996,436</u>	<u>7,265,229</u>	<u>24,331,539</u>	<u>24,862,950</u>	<u>32,327,975</u>	<u>32,128,179</u>
Total Liabilities	<u>9,019,313</u>	<u>8,021,502</u>	<u>24,778,082</u>	<u>25,529,269</u>	<u>33,797,395</u>	<u>33,550,771</u>
Deferred Inflows of Resources	<u>338,847</u>	<u>423,297</u>	<u>65,952</u>	<u>96,533</u>	<u>404,799</u>	<u>519,830</u>
Net Position						
Net investment in capital assets	8,924,973	9,562,301	2,231,225	2,215,719	11,156,198	11,778,020
Restricted	1,310,309	1,310,309	-	-	1,310,309	1,310,309
Unrestricted	<u>11,035,666</u>	<u>11,534,685</u>	<u>1,900,528</u>	<u>1,982,176</u>	<u>12,936,194</u>	<u>13,516,861</u>
Total Net Position	<u>21,270,948</u>	<u>22,407,295</u>	<u>4,131,753</u>	<u>4,197,895</u>	<u>25,402,701</u>	<u>26,605,190</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 30,629,108</u>	<u>\$ 30,852,094</u>	<u>\$ 28,975,787</u>	<u>\$ 29,823,697</u>	<u>\$ 59,604,895</u>	<u>\$ 60,675,791</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 \$25,402,701 at June 30, 2020. A large portion of the reporting entity's net position, \$11,156,198 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 \$12,936,194.

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, 2020 and 2019

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues						
Program Revenues						
Charges for services	\$ 1,877,677	\$ 1,791,262	\$3,561,759	\$ 3,642,565	\$ 5,439,436	\$ 5,433,827
Operating grants and contributions	4,321,952	4,363,487	-	-	4,321,952	4,363,487
General Revenues						
General property taxes, real and personal	5,636,173	4,958,610	-	-	5,636,173	4,958,610
Other taxes	6,337,377	6,737,617	-	-	6,337,377	6,737,617
Grants and contributions not restricted to specific programs	842,146	846,897	-	-	842,146	846,897
Unrestricted revenues from use of money and property	165,346	201,213	-	-	165,346	201,213
Investment earnings	156,978	148,786	31,121	92,894	188,099	241,680
Miscellaneous	41,882	58,745	8,613	3,470	50,495	62,215
Total Revenues	19,379,531	19,106,617	3,601,493	3,738,929	22,981,024	22,845,546
Expenses						
General government administration	1,896,871	1,456,548	-	-	1,896,871	1,456,548
Judicial administration	3,665,371	3,424,260	-	-	3,665,371	3,424,260
Public safety	4,194,576	3,583,906	-	-	4,194,576	3,583,906
Public works	3,032,077	3,412,238	-	-	3,032,077	3,412,238
Health and welfare	571,803	453,924	-	-	571,803	453,924
Education	4,975,171	4,232,366	-	-	4,975,171	4,232,366
Parks, recreation, and cultural	357,301	346,994	-	-	357,301	346,994
Community development	1,687,703	1,659,185	-	-	1,687,703	1,659,185
Water and sewer	-	-	2,756,176	2,842,067	2,756,176	2,842,067
Interest on long-term debt	135,005	121,906	645,655	763,327	780,660	885,233
Total Expenses	20,515,878	18,691,327	3,401,831	3,605,394	23,917,709	22,296,721
Increase (Decrease) in Net Position Before Transfers	(1,136,347)	415,290	199,662	133,535	(936,685)	548,825
Transfers						
	-	-	-	-	-	-
Change in Net Position	(1,136,347)	415,290	199,662	133,535	(936,685)	548,825
Beginning Net Position	22,407,295	21,992,005	3,932,091	4,064,360	26,339,386	26,056,365
Ending Net Position	\$ 21,270,948	\$ 22,407,295	\$ 4,131,753	\$ 4,197,895	\$ 25,402,701	\$ 26,605,190

Governmental activities decreased the City's net position by \$1,136,347 for fiscal year 2020. Revenues from governmental activities totaled \$19,379,531. Other taxes comprise the largest source of these revenues, totaling \$6,337,377 or 32.7% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$20,515,878. Education was the City's largest program with expenses totaling \$4,975,171. Public safety, which totals \$4,194,576, 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, 2020 and 2019

	<u>2020</u>		<u>2019</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	\$ 1,896,871	\$ (1,715,158)	\$ 1,456,548	\$ (1,286,056)
Judicial administration	3,665,371	(3,647,126)	3,424,260	(3,279,610)
Public safety	4,194,576	(1,817,333)	3,583,906	(1,541,298)
Public works	3,032,077	(656,341)	3,412,238	(1,436,752)
Health and welfare	571,803	(571,803)	453,924	(366,803)
Education	4,975,171	(3,771,339)	4,232,366	(3,056,818)
Parks, recreation, and cultural	357,301	(352,801)	346,994	(342,494)
Community development	1,687,703	(1,649,343)	1,659,185	(1,104,841)
Interest on long-term debt	<u>135,005</u>	<u>(135,005)</u>	<u>121,906</u>	<u>(121,906)</u>
Total	<u>\$ 20,515,878</u>	<u>\$ (14,316,249)</u>	<u>\$ 18,691,327</u>	<u>\$ (12,536,578)</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 \$14,395,771. The combined governmental fund balance decreased \$316,523 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 \$13,005,094. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 64.1% of total fund expenditures.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2020 and 2019

	<u>2020</u>			<u>2019</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	\$ 11,918,134	\$ 11,918,134	\$ 12,012,857	\$ 11,746,051	\$ 11,746,051	\$ 11,658,494
Other	2,612,957	2,603,367	2,361,651	2,027,556	2,036,851	2,443,706
Intergovernmental	<u>6,595,791</u>	<u>6,767,189</u>	<u>5,135,738</u>	<u>6,090,790</u>	<u>7,258,568</u>	<u>5,210,384</u>
Total Revenues	21,126,882	21,288,690	19,510,246	19,864,397	21,041,470	19,312,584
Expenditures	<u>22,350,983</u>	<u>22,576,971</u>	<u>20,291,651</u>	<u>20,916,565</u>	<u>23,373,732</u>	<u>19,325,114</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,224,101)	(1,288,281)	(781,405)	(1,052,168)	(2,332,262)	(12,530)
Other Financing Sources (Uses)						
Issuance of debt	571,000	571,000	530,205	226,100	226,100	218,518
Transfers in	119,803	119,803	119,803	119,803	119,803	103,137
Transfers out	<u>(211,981)</u>	<u>(211,981)</u>	<u>(161,716)</u>	-	-	(154,221)
Total Other Financing Sources (Uses)	<u>478,822</u>	<u>478,822</u>	<u>488,292</u>	345,903	345,903	167,434
Change in Fund Balance	<u>\$ (745,279)</u>	<u>\$ (809,459)</u>	<u>\$ (293,113)</u>	<u>\$ (706,265)</u>	<u>\$ (1,986,359)</u>	<u>\$ 154,904</u>

Final amended budget revenues were more than the original budget by \$161,808.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$225,988.

Actual revenues were less than final budget amounts by \$1,778,444 or 8.4%, while actual expenditures were \$2,285,320, or 10.1% less than final budget amounts. Fluctuations of the comparison of final budget to actual figures for the fiscal year ended June 30, 2020 were mostly caused by the COVID-19 pandemic.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2020, the City's governmental activities net capital assets total \$14,048,124, which represents a net decrease of \$658,563 or 4.5% over the previous fiscal year-end balance. The business-type activities net capital assets total \$24,633,606 an increase of \$1,292,595 or 5.5% over the previous fiscal year.

Change in Capital Assets

Governmental Activities

	<u>Balance</u> <u>July 1, 2019</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Land and land improvements	\$ 2,196,461	\$ 106,410	\$ 2,302,871
Buildings and improvements	7,595,041	-	7,595,041
Infrastructure	19,859,360	203,880	20,063,240
Furniture, equipment, and vehicles	<u>9,164,733</u>	<u>253,350</u>	<u>9,418,083</u>
Total Capital Assets	38,815,595	563,640	39,379,235
Less: Accumulated depreciation and amortization	<u>(24,108,908)</u>	<u>(1,222,203)</u>	<u>(25,331,111)</u>
Total Capital Assets, Net	<u>\$ 14,706,687</u>	<u>\$ (658,563)</u>	<u>\$ 14,048,124</u>

Business-Type Activities

	<u>Balance</u> <u>July 1, 2019</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Land and land improvements	\$ 103,471	\$ -	\$ 103,471
Construction in progress	2,591,226	95,717	2,686,943
Buildings and systems	31,120,877	1,814,318	32,935,195
Furniture, equipment, and vehicles	<u>1,410,089</u>	<u>75,335</u>	<u>1,485,424</u>
Total Capital Assets	35,225,663	1,985,370	37,211,033
Less: Accumulated depreciation and amortization	<u>(11,884,652)</u>	<u>(692,775)</u>	<u>(12,577,427)</u>
Total Capital Assets, Net	<u>\$ 23,341,011</u>	<u>\$ 1,292,595</u>	<u>\$ 24,633,606</u>

Long-Term Debt

As of June 30, 2020, the City's long-term obligations total \$29,373,058.

	<u>Balance</u> <u>July 1, 2019</u>	<u>Net Additions</u> <u>and Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Governmental Activities			
Long-term debt	\$ 5,144,386	\$ (21,235)	\$ 5,123,151
Compensated absences	<u>437,302</u>	<u>26,127</u>	<u>463,429</u>
Total Governmental Activities	5,581,688	4,892	5,586,580
Business-Type Activities			
Long-term debt	24,285,083	(648,633)	23,636,450
Compensated absences	<u>160,275</u>	<u>(10,247)</u>	<u>150,028</u>
Total Business-Type Activities	<u>24,445,358</u>	<u>(658,880)</u>	<u>23,786,478</u>
Total Primary Government	<u>\$ 30,027,046</u>	<u>\$ (653,988)</u>	<u>\$ 29,373,058</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 2020 was 14.4%. This compares unfavorably to the state's rate of 8.5% and the national rate of 11.2%.
- 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 2021 adopted budget anticipates general fund revenues and expenditures to be \$21,999,089, a 4.1% increase over the fiscal year 2020 original budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the 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, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 11,647,728	\$ 2,990,700	\$ 14,638,428
Receivables, net	521,171	169,550	690,721
Due from other funds	267,175	(267,175)	-
Due from other governments	1,732,152	-	1,732,152
Cash and investments, restricted	-	1,234,069	1,234,069
Other assets	1,316,847	-	1,316,847
Capital Assets			
Land and construction in progress	2,302,871	2,790,414	5,093,285
Other capital assets, net of accumulated depreciation	11,745,253	21,843,192	33,588,445
Capital Assets, Net	14,048,124	24,633,606	38,681,730
Total Assets	29,533,197	28,760,750	58,293,947
Deferred Outflows of Resources			
VRS pension	911,708	173,658	1,085,366
OPEB retiree health insurance	103,377	21,173	124,550
OPEB VRS group life	80,826	20,206	101,032
Total Deferred Outflows of Resources	1,095,911	215,037	1,310,948
Total Assets and Deferred Outflows of Resources	<u>\$ 30,629,108</u>	<u>\$ 28,975,787</u>	<u>\$ 59,604,895</u>
Liabilities			
Accounts payable and accrued expenses	\$ 347,520	\$ 121,792	\$ 469,312
Due to other governments	225,303	-	225,303
Accrued interest payable	41,954	117,879	159,833
Unearned grants - CARES	408,100	-	408,100
Customer deposits	-	206,872	206,872
Long-Term Liabilities			
<i>Due within one year</i>			
Compensated absences	46,343	15,003	61,346
Bonds, loans, and other	549,391	859,609	1,409,000
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	4,573,760	22,776,841	27,350,601
Compensated absences	417,086	135,025	552,111
OPEB liability - retiree health insurance	452,734	92,729	545,463
OPEB liability - VRS group life	327,146	81,786	408,932
VRS pension liability	1,629,976	370,546	2,000,522
Total Liabilities	9,019,313	24,778,082	33,797,395
Deferred Inflows of Resources			
VRS pension	311,234	59,283	370,517
OPEB retiree health insurance	5,184	1,062	6,246
OPEB VRS group life	22,429	5,607	28,036
Total Deferred Inflows of Resources	338,847	65,952	404,799
Net Position			
Net investment in capital assets	8,924,973	2,231,225	11,156,198
Restricted for			
Citizen Bank building investment	1,310,309	-	1,310,309
Unrestricted	11,035,666	1,900,528	12,936,194
Total Net Position	21,270,948	4,131,753	25,402,701
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 30,629,108</u>	<u>\$ 28,975,787</u>	<u>\$ 59,604,895</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, 2020

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	\$ 1,896,871	\$ -	\$ 181,713	\$ -	\$ (1,715,158)		\$ (1,715,158)
Judicial administration	3,665,371	-	18,245	-	(3,647,126)		(3,647,126)
Public safety	4,194,576	979,613	1,397,630	-	(1,817,333)		(1,817,333)
Public works	3,032,077	898,064	1,477,672	-	(656,341)		(656,341)
Health and welfare	571,803	-	-	-	(571,803)		(571,803)
Education	4,975,171	-	1,203,832	-	(3,771,339)		(3,771,339)
Parks, recreation, and cultural	357,301	-	4,500	-	(352,801)		(352,801)
Community development	1,687,703	-	38,360	-	(1,649,343)		(1,649,343)
Interest on long-term debt	135,005	-	-	-	(135,005)		(135,005)
Total Governmental Activities	20,515,878	1,877,677	4,321,952	-	(14,316,249)		(14,316,249)
Business-Type Activities							
Water and Sewer Fund	3,401,831	3,561,759	-	-		\$ 159,928	159,928
Total Business-Type Activities	3,401,831	3,561,759	-	-		159,928	159,928
Total Primary Government	\$ 23,917,709	\$ 5,439,436	\$ 4,321,952	\$ -		159,928	(14,156,321)
General Revenues							
Taxes							
General property taxes, real and personal					5,636,173	-	5,636,173
Other local taxes					6,337,377	-	6,337,377
Grants and contributions not restricted to specific programs					842,146	-	842,146
Use of property					165,346	-	165,346
Investment earnings					156,978	31,121	188,099
Miscellaneous					41,882	8,613	50,495
Transfers					-	-	-
Total General Revenues and Transfers					13,179,902	39,734	13,219,636
Change in Net Position					(1,136,347)	199,662	(936,685)
Net Position (Restated) - Beginning of Year					22,407,295	3,932,091	26,339,386
Net Position - End of Year					\$ 21,270,948	\$ 4,131,753	\$ 25,402,701

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, 2020

	<u>General Fund</u>	<u>Emporia Redevelopment and Housing Authority Fund</u>	<u>Emporia Industrial Development Authority</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 11,495,860	\$ 46,266	\$ 105,602	\$ 11,647,728
Property taxes receivable, net	187,987	-	-	187,987
Accounts receivable	333,044	140	-	333,184
Due from other funds	267,175	-	-	267,175
Due from other governments	1,732,152	-	-	1,732,152
Other assets	6,538	1,310,309	-	1,316,847
	<u>14,022,756</u>	<u>1,356,715</u>	<u>105,602</u>	<u>15,485,073</u>
Total Assets	<u>\$ 14,022,756</u>	<u>\$ 1,356,715</u>	<u>\$ 105,602</u>	<u>\$ 15,485,073</u>
Liabilities				
Accounts payable	\$ 240,600	\$ -	\$ -	\$ 240,600
Accrued liabilities	106,920	-	-	106,920
Unearned grants - CARES	336,460	-	71,640	408,100
Due to other governments	225,303	-	-	225,303
	<u>909,283</u>	<u>-</u>	<u>71,640</u>	<u>980,923</u>
Total Liabilities	909,283	-	71,640	980,923
Deferred Inflows of Resources				
Unavailable revenue - deferred taxes	108,379	-	-	108,379
	<u>108,379</u>	<u>-</u>	<u>-</u>	<u>108,379</u>
Total Deferred Inflows of Resources	108,379	-	-	108,379
Fund Balance				
Restricted for				
Program income projects	-	46,406	-	46,406
Citizens Bank building investment	-	1,310,309	-	1,310,309
Assigned				
	-	-	33,962	33,962
Unassigned				
	13,005,094	-	-	13,005,094
	<u>13,005,094</u>	<u>1,356,715</u>	<u>33,962</u>	<u>14,395,771</u>
Total Fund Balance	<u>13,005,094</u>	<u>1,356,715</u>	<u>33,962</u>	<u>14,395,771</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 14,022,756</u>	<u>\$ 1,356,715</u>	<u>\$ 105,602</u>	<u>\$ 15,485,073</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, 2020

Total Fund Balances for Governmental Funds \$ 14,395,771

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	\$ 2,302,871
Buildings and improvements, net of accumulated depreciation	3,687,740
Furniture, equipment, and vehicles, net of accumulated depreciation	1,267,370
Infrastructure, net of accumulated depreciation	<u>6,790,143</u>

Total Capital Assets 14,048,124

Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - property taxes	108,379
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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	911,708
Deferred inflows of resources related to VRS pension	(311,234)
Deferred outflows of resources related to OPEB retiree health insurance	103,377
Deferred inflows of resources related to OPEB retiree health insurance	(5,184)
Deferred outflows of resources related to OPEB VRS group life	80,826
Deferred inflows of resources related to OPEB VRS group life	<u>(22,429)</u>

Total Deferred Outflows and Inflows of Resources 757,064

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	(5,123,151)
VRS pension liability	(1,629,976)
Accrued interest payable	(41,954)
OPEB liability retiree health insurance	(452,734)
OPEB VRS group life	(327,146)
Compensated absences	<u>(463,429)</u>

Total (8,038,390)

Total Net Position of Governmental Activities \$ 21,270,948

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, 2020

	<u>General Fund</u>	<u>Emporia Redevelopment and Housing Authority Fund</u>	<u>Emporia Industrial Development Authority</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 5,675,480	\$ -	\$ -	\$ 5,675,480
Other local taxes	6,337,377	-	-	6,337,377
Permits, privilege fees, and regulatory licenses	19,914	-	-	19,914
Fines and forfeitures	959,699	-	-	959,699
Use of money and property	162,613	72	159,639	322,324
Charges for services	898,064	-	-	898,064
Miscellaneous	26,921	-	14,961	41,882
Recovered costs	294,440	-	-	294,440
<i>Intergovernmental</i>				
Revenue from the Commonwealth of Virginia	4,101,390	-	-	4,101,390
Revenue from the Federal Government	<u>1,034,348</u>	<u>-</u>	<u>28,360</u>	<u>1,062,708</u>
Total Revenues	19,510,246	72	202,960	19,713,278
Expenditures				
Current				
General government administration	1,673,651	-	-	1,673,651
Judicial administration	3,846,041	-	-	3,846,041
Public safety	3,971,416	-	-	3,971,416
Public works	2,825,405	-	-	2,825,405
Health and welfare	572,417	-	-	572,417
Education	4,975,171	-	-	4,975,171
Parks, recreation, and cultural	353,782	-	-	353,782
Community development	1,439,329	11,538	202,334	1,653,201
Debt service	<u>634,439</u>	<u>-</u>	<u>54,483</u>	<u>688,922</u>
Total Expenditures	<u>20,291,651</u>	<u>11,538</u>	<u>256,817</u>	<u>20,560,006</u>
Excess (Deficiency) of Revenues Over Expenditures	(781,405)	(11,466)	(53,857)	(846,728)
Other Financing Sources (Uses)				
Transfers in	119,803	10,840	150,876	281,519
Transfers out	(161,716)	-	(119,803)	(281,519)
Issuance of debt	<u>530,205</u>	<u>-</u>	<u>-</u>	<u>530,205</u>
Total Other Financing Sources (Uses)	<u>488,292</u>	<u>10,840</u>	<u>31,073</u>	<u>530,205</u>
Net Change in Fund Balance	(293,113)	(626)	(22,784)	(316,523)
Fund Balance - Beginning of Year	<u>13,298,207</u>	<u>1,357,341</u>	<u>56,746</u>	<u>14,712,294</u>
Fund Balance - End of Year	<u>\$ 13,005,094</u>	<u>\$ 1,356,715</u>	<u>\$ 33,962</u>	<u>\$ 14,395,771</u>

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, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (316,523)

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	\$ 563,640	
Depreciation	<u>(1,222,203)</u>	(658,563)

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. (39,307)

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	(530,205)	
Repayments on debt	551,440	
Accrued interest expense	<u>2,477</u>	
Net Adjustment		23,712

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	(565,385)	
VRS pension deferred outflows	404,536	
VRS pension deferred inflows	<u>77,343</u>	
		(83,506)

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	(26,127)	
OPEB liability retiree health insurance	(140,984)	
Deferred outflows OPEB retiree health insurance	95,059	
Deferred inflows OPEB retiree health insurance	1,536	
OPEB liability VRS group life	(19,946)	
Deferred outflows OPEB VRS group life	22,731	
Deferred inflows OPEB VRS group life	<u>5,571</u>	
Net Adjustment		<u>(62,160)</u>

Change in Net Position of Governmental Activities \$ (1,136,347)

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, 2020

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Assets	
Current Assets	
Cash and investments	\$ 2,990,700
Receivables, net	169,550
Cash and investments, restricted	<u>1,234,069</u>
Total Current Assets	4,394,319
Noncurrent Assets	
Land and construction in progress	2,790,414
Capital assets, net	<u>21,843,192</u>
Total Noncurrent Assets	24,633,606
Deferred Outflows of Resources	
VRS pension	173,658
OPEB VRS group life	20,206
OPEB retiree health insurance	<u>21,173</u>
Total Deferred Outflows of Resources	<u>215,037</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 29,242,962</u>
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	\$ 121,792
Accrued interest payable	117,879
Due to General Fund	267,175
Customer deposits	206,872
Short-term portion of compensated absences	15,003
Short-term portion of debt	<u>859,609</u>
Total Current Liabilities	1,588,330
Noncurrent Liabilities	
Compensated absences	135,025
VRS pension liability	370,546
OPEB liability - VRS group life	81,786
OPEB liability - retiree health insurance	92,729
Long-term portion of debt	<u>22,776,841</u>
Total Noncurrent Liabilities	<u>23,456,927</u>
Total Liabilities	25,045,257
Deferred Inflows of Resources	
VRS pension	59,283
OPEB VRS group life	5,607
OPEB retiree health insurance	<u>1,062</u>
Total Deferred Inflows of Resources	65,952
Net Position	
Net investment in capital assets	2,231,225
Unrestricted	<u>1,900,528</u>
Total Net Position	<u>4,131,753</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 29,242,962</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, 2020

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Operating Revenues	
Charges for services, net	\$ 3,431,136
Penalties income	130,623
Miscellaneous	<u>8,613</u>
Total Operating Revenues	3,570,372
Operating Expenses	
Personnel services and benefits	1,191,713
Maintenance, supplies, and vehicle expenses	219,874
Utilities	256,729
Chemicals	121,969
Depreciation	692,775
Other charges	<u>273,116</u>
Total Operating Expenses	<u>2,756,176</u>
Operating Income	814,196
Nonoperating Revenues (Expenses)	
Interest income	31,121
Interest expense and other fiscal charges	<u>(645,655)</u>
Total Nonoperating Revenues (Expenses)	<u>(614,534)</u>
Change in Net Position	199,662
Total Net Position - Beginning of Year - Restated	<u>3,932,091</u>
Total Net Position - End of Year	<u><u>\$ 4,131,753</u></u>

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, 2020

	Business-Type Activities - Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 3,582,640
Other receipts	8,613
Payments to personnel and benefits	(1,191,109)
Payments to suppliers	<u>(1,101,125)</u>
Net Cash Provided by Operating Activities	1,299,019
Cash Flows from Noncapital Financing Activities	
Due to General Fund	<u>267,175</u>
Net Cash Provided by Noncapital Financing Activities	267,175
Cash Flows from Capital and Related Financing Activities	
Purchases and construction of capital assets	(1,985,370)
Principal paid on capital debt	(648,633)
Interest paid on capital debt	<u>(641,585)</u>
Net Cash Used in Capital and Related Financing Activities	(3,275,588)
Cash Flows from Investing Activities	
Interest income	<u>31,121</u>
Net Cash Provided by Investing Activities	<u>31,121</u>
Net Decrease in Cash and Cash Equivalents	(1,678,273)
Cash and Cash Equivalents - Beginning of Year	<u>5,903,042</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 4,224,769</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 814,196
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>	
Depreciation expense	692,775
<i>Changes in assets and liabilities</i>	
Receivables, net	15,289
Accounts payable and accrued expenses	(229,437)
Compensated absences	(10,248)
Customer deposits	5,592
Deferred outflows - VRS pension	(61,254)
Deferred inflows - VRS pension	(28,571)
VRS pension liability	107,692
Deferred outflows - OPEB VRS group life	(5,686)
Deferred inflows - OPEB VRS group life	(1,393)
OPEB VRS group life	4,986
Deferred outflows - OPEB retiree health insurance	(19,096)
Deferred inflows - OPEB retiree health insurance	(617)
OPEB retiree health insurance	<u>14,791</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,299,019</u></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, 2020

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 \$4,914,186 during fiscal year 2020.

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 \$273,059 during fiscal year 2020 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 \$319,998 during fiscal year 2020 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.

GASB-Required Supplementary OPEB – 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 postemployment benefits other than pensions (OPEB).

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

- **Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The City has one enterprise fund, the Water and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that the cost of providing services to the general public be financed or recovered through user charges.
- **Fiduciary Funds (Trust and Agency Funds)** – Fiduciary funds account for assets held by the City in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. Agency Funds consist of the following:
 - a. Private Purpose Trust Funds – The City has no Private Purpose Trust Funds at this time.
 - b. Agency Funds – The City has no Agency Funds at this time.

1-D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

1-E-1 Cash and Cash Equivalents

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

1-E-2 Investments

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

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

1-E-3 Receivables and Payables

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

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

General Fund - taxes receivable	<u>\$ 82,423</u>
Water and Sewer Fund - accounts receivables	<u>\$ 90,740</u>

Real and Personal Property Tax Data

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

Real Property Personal Property

Lewy	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:

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

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

1-E-6 Deferred Outflows/Inflows of Resources

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 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 Statements

During the fiscal year ended June 30, 2020, the City adopted the following GASB statement:

- Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance

This Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

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, 2020

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, 2020</u>		
Petty cash	\$	1,100	
Deposit accounts		<u>15,871,397</u>	
Total Cash and Cash Equivalents		<u>\$ 15,872,497</u>	
	Governmental	Business-Type	
	Activities	Activities	Total
Cash and cash equivalents	<u>\$ 11,647,728</u>	<u>\$ 4,224,769</u>	<u>\$ 15,872,497</u>

4 Receivables

Receivables at June 30, 2020 consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Property taxes	\$ 270,410	\$ -
Meals and lodging taxes	333,044	-
Other	140	-
Water and sewer	<u>-</u>	<u>260,290</u>
Total	603,594	260,290
Allowance for uncollectibles	<u>(82,423)</u>	<u>(90,740)</u>
Net Receivables	<u>\$ 521,171</u>	<u>\$ 169,550</u>

5 Due To/From Other Funds and Interfund Transfers

Interfund receivable and payable balances of the City at June 30, 2020, are presented below:

	<u>Due from</u>	<u>Due to</u>
General Fund		
From Water and Sewer Fund for sanitation fees	\$ 267,175	\$ -
Water and Sewer Fund		
To General Fund for sanitation fees	<u>-</u>	<u>267,175</u>
	<u>\$ 267,175</u>	<u>\$ 267,175</u>

Interfund transfers as of June 30, 2020 are as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
Primary Government		
General Fund		
Recovered costs from IDA for operations	\$ -	\$ 119,803
To Redevelopment and Housing for operations	10,840	-
From Industrial Development Authority for operations	<u>150,876</u>	<u>-</u>
Total General Fund	161,716	119,803
Redevelopment and Housing Fund		
From General Fund for operations	-	10,840
Industrial Development Authority		
From General Fund for operations	<u>119,803</u>	<u>150,876</u>
Total Transfers Within Primary Government	<u>\$ 281,519</u>	<u>\$ 281,519</u>

6 Due from Other Governmental Units

Details of the City's receivables from other governmental units, as of June 30, 2020, are as follows:

	<u>General</u>
County of Greenville, Virginia	
School Board - Education	\$ 1,017,745
Total County of Greenville, Virginia	1,017,745
Commonwealth of Virginia	
Personal property tax relief act (PPTRA)	145,728
Local sales tax	288,724
Communication sales and use taxes	36,293
Education state sales tax	141,122
Wireless 911 grant	7,560
Other	<u>33,073</u>
Total Commonwealth of Virginia	652,500
Federal Government	
Sexual assault grants	7,777
CARES Act - COVID	<u>52,050</u>
Total Federal Government	59,827
Other	<u>2,080</u>
Total Due from Other Governments	<u>\$ 1,732,152</u>

7 Due to Other Governmental Units

Details of the City's payables to other governmental units, as of June 30, 2020, are as follows:

	<u>General</u>
Social Services operations - Greenville County, Virginia	<u>\$ 225,303</u>

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8 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 2,196,461	\$ 106,410	\$ -	\$ 2,302,871
Total Capital Assets Not Being Depreciated	2,196,461	106,410	-	2,302,871
Other Capital Assets				
Buildings and improvements	7,595,041	-	-	7,595,041
Infrastructure	19,859,360	203,880	-	20,063,240
Furniture, equipment, and vehicles	9,164,733	253,350	-	9,418,083
Total Other Capital Assets	36,619,134	457,230	-	37,076,364
Less: Accumulated depreciation for				
Buildings and improvements	3,709,534	197,767	-	3,907,301
Infrastructure	12,606,681	666,416	-	13,273,097
Furniture, equipment, and vehicles	7,792,693	358,020	-	8,150,713
Total Accumulated Depreciation	24,108,908	1,222,203	-	25,331,111
Other Capital Assets, Net	12,510,226	(764,973)	-	11,745,253
Net Capital Assets	<u>\$ 14,706,687</u>	<u>\$ (658,563)</u>	<u>\$ -</u>	<u>\$ 14,048,124</u>
Depreciation Expense was Allocated to				
General government administration	\$ 282,592			
Public safety	329,145			
Public works	573,704			
Health and welfare	1,511			
Community development	35,251			
Total	<u>\$ 1,222,203</u>			

Business-Type Activities

	<u>Balance July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 103,471	\$ -	\$ -	\$ 103,471
Construction in progress	<u>2,591,226</u>	<u>1,844,389</u>	<u>1,748,672</u>	<u>2,686,943</u>
Total Capital Assets Not Being Depreciated	2,694,697	1,844,389	1,748,672	2,790,414
Other Capital Assets				
Buildings and systems	31,120,877	1,814,318	-	32,935,195
Furniture, equipment, and vehicles	<u>1,410,089</u>	<u>75,335</u>	<u>-</u>	<u>1,485,424</u>
Total Other Capital Assets	32,530,966	1,889,653	-	34,420,619
Less: Accumulated depreciation for				
Buildings and systems	10,557,324	673,220	-	11,230,544
Furniture, equipment, and vehicles	<u>1,327,328</u>	<u>19,555</u>	<u>-</u>	<u>1,346,883</u>
Total Accumulated Depreciation	<u>11,884,652</u>	<u>692,775</u>	<u>-</u>	<u>12,577,427</u>
Other Capital Assets, Net	<u>20,646,314</u>	<u>1,196,878</u>	<u>-</u>	<u>21,843,192</u>
Net Capital Assets	<u>\$23,341,011</u>	<u>\$ 3,041,267</u>	<u>\$ 1,748,672</u>	<u>\$24,633,606</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:

<u>Years of Service</u>	<u>Hours Accrued Per Month</u>
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:

<u>Years of Service</u>	<u>Maximum Payment</u>
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 \$463,429 in the governmental activities. The balance in the business-type activities is \$150,028.

10 Long-Term Debt

PRIMARY GOVERNMENT

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

<u>Year(s) Ended June 30,</u>	<u>Governmental Activities General Bonds Payable</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 549,391	\$ 128,942	\$ 859,609	\$ 632,910
2022	450,112	115,738	888,871	608,978
2023	362,097	111,089	917,506	584,249
2024	325,464	97,221	942,112	559,321
2025	331,462	88,573	972,713	532,465
2026-2030	1,573,381	317,151	5,372,647	2,236,754
2031-2035	1,398,636	101,668	5,846,851	1,450,957
2036-2040	132,608	1,468	3,331,767	780,310
2041-2045	-	-	1,678,660	471,080
2046-2050	-	-	1,884,187	265,553
2051-2055	-	-	941,527	52,074
Total	<u>\$ 5,123,151</u>	<u>\$ 961,850</u>	<u>\$ 23,636,450</u>	<u>\$ 8,174,651</u>

Changes in Long-Term Debt

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

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

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	<u>Balance</u> <u>July 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2020</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.	\$ 6,359	\$ -	\$ 6,359	\$ -	\$ -
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.	34,211	-	15,046	19,165	15,300
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)	1,677,807	-	70,801	1,607,006	73,633
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.	2,246	-	2,246	-	-
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.	15,840	-	7,662	8,178	8,178
Lease Revenue Note, Series 1999, with SunTrust Bank for DMV building, with payments of \$9,328.80 at 4.3% ending October 1, 2019.	53,906	-	53,906	-	-
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%.	126,901	-	51,401	75,500	53,289
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.	1,343,485	-	74,046	1,269,439	77,000

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due Within</u> <u>One Year</u>
General fund portion of GO Refunding Bond w ith 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 w ith an annual principal payment due on July 15. Bond matures on July 15, 2034.	47,025	-	2,600	44,425	2,681
Lease w ith 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 monthly on the 17th.	76,059	-	21,681	54,378	22,156
Lease w ith Carter Bank & Trust dated January 30, 2018 payable over 7 years at 2.5% interest.	27,806	-	4,315	23,491	4,816
Lease w ith Carter Bank & Trust dated March 13, 2018 for police vehicles for 3 years w ith interest of 1.95%.	44,887	-	21,110	23,777	23,777
Lease w ith Carter Bank & Trust dated March 2, 2016 for an animal control vehicle and dump truck w ith 84 payments of \$1,466 at 1.75%.	63,833	-	17,387	46,446	16,876
Lease w ith BB&T for \$154,000 dated September 6, 2018 for police vehicles w ith payments of \$4,480.06 at 2.98% over 3 years.	116,855	-	50,971	65,884	52,511
Lease w ith BB&T for \$64,418 dated September 6, 2018 for a tractor/mow er w ith payments of \$860.49 at 3.32% over 6 years.	58,209	-	8,522	49,687	8,810
Note payable w ith Benchmark Community Bank for police vehicles dated October 30, 2019 w ith payments of \$5,601 at 1.8% over 3 years.	-	196,100	37,305	158,795	64,893
Note payable w ith Benchmark Community Bank for police vehicles dated October 30, 2019 w ith payments of \$4,266 at 1.99% over 7 years.	-	334,105	26,082	308,023	45,471
General Obligation Bond Series 2015A w ith Carter Bank & Trust for \$1,800,000 dated August 13, 2015 at 2.95% commencing March 1, 2016 and terminating September 1, 2034.	<u>1,448,957</u>	<u>-</u>	<u>80,000</u>	<u>1,368,957</u>	<u>80,000</u>
Subtotal	5,144,386	530,205	551,440	5,123,151	549,391
Compensated Absences	<u>437,302</u>	<u>360,276</u>	<u>334,149</u>	<u>463,429</u>	<u>46,343</u>
Total Governmental Activities	5,581,688	890,481	885,589	5,586,580	595,734

Business-Type Activities	Balance July 1, 2019	Increase	Decrease	Balance June 30, 2020	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.	28,872	-	6,598	22,274	6,717
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.	1,448,000	-	71,000	1,377,000	73,000
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)	3,713,603	-	156,709	3,556,894	162,977
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.	8,119,619	-	169,712	7,949,907	165,095
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.	1,667,014	-	39,214	1,627,800	37,001
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.	3,714,975	-	205,400	3,509,575	211,819
Water and wastewater Revenue Bond Series 2018 with Sterling Bank, for \$5,593,000 issued September 14, 2018 at 3.88%. Interest payments are due semi-annually on April 1 and October 1 of each year with an annual principal payment due on October 1. Bond matures on October 1, 2038.	<u>5,593,000</u>	<u>-</u>	<u>-</u>	<u>5,593,000</u>	<u>203,000</u>
Subtotal	24,285,083	-	648,633	23,636,450	859,609
Compensated Absences	<u>160,275</u>	<u>107,006</u>	<u>117,253</u>	<u>150,028</u>	<u>15,003</u>
Total Business-Type Activities	<u>24,445,358</u>	<u>107,006</u>	<u>765,886</u>	<u>23,786,478</u>	<u>874,612</u>
Total Primary Government	<u>\$ 30,027,046</u>	<u>\$ 997,487</u>	<u>\$ 1,651,475</u>	<u>\$ 29,373,058</u>	<u>\$ 1,470,346</u>

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, 2020 is determined as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Net Investment in Capital Assets		
Cost of capital assets	\$ 39,379,235	\$ 37,211,033
Restricted cash from issuance of debt	-	1,234,069
Less: Accumulated depreciation	<u>25,331,111</u>	<u>12,577,427</u>
Book value	14,048,124	25,867,675
Less: Capital related debt	<u>5,123,151</u>	<u>23,636,450</u>
Net Investment in Capital Assets	<u>\$ 8,924,973</u>	<u>\$ 2,231,225</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	<u>\$ 108,379</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 Risk Sharing Association, 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, 2020:

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, 2020, 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>370,829,581</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 37,082,958
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross debt	<u>4,365,327</u>
Legal Debt Margin - June 30, 2020	\$ <u>32,717,631</u>

Note: Includes all long-term general obligation bonded debt and USDA Note as disclosed in Note 10. Excludes capital leases, notes, 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, service credit, 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, service credit, 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, service credit, 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.

Service Credit

Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member was granted. A member's total service credit 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 service credit. 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

Same as Plan 1.

Service Credit

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.

Service Credit

Defined Benefit Component:

Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit 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, service credit 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 service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit 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
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 service credit or at age 50 with at least 30 years of service credit.

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

Earliest Reduced Retirement Eligibility

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

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

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 service credit, 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 service credit, 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 service credit or when their age plus service credit 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 service credit.

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 service credit or when their age plus service credit 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 service credit.

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.
- 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 service credit in their plan. Prior service credit 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, 2018 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	74
Inactive members:	
Vested inactive members	8
Non-vested inactive members	25
LTD	0
Inactive members active elsewhere in VRS	<u>45</u>
Total inactive members	78
Active members	<u>109</u>
Total covered employees	<u>261</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.

If the employer used the certified rate: The City of Emporia, Virginia's contractually required contribution rate for the year ended June 30, 2020 was 10.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 City of Emporia, Virginia were \$521,765 and \$518,704 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For City of Emporia, Virginia, the net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

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, 2018 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan 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 assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.*

Mortality 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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan 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 assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% to simplify preparation of pension liabilities.*

Mortality rates:

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	<u>3.00%</u>	6.29%	<u>0.19%</u>
Total	<u>100.00%</u>		<u>5.13%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.63%</u>

**The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.*

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; political subdivisions were also provided with an opportunity to use an alternate employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017, actuarial valuations, whichever was greater. From July 1, 2019 on, participating employers are assumed to continue 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

	Total Pension Liability (a)	<u>Increase (Decrease)</u> Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 26,649,221	\$ 25,321,776	\$ 1,327,445
Changes for the Year			
Service cost	618,606	-	618,606
Interest	1,813,886	-	1,813,886
Benefit changes	-	-	-
Assumption changes	769,325	-	769,325
Differences between expected and actual experience	(127,060)	-	(127,060)
Contributions - employer	-	508,581	(508,581)
Contributions - employee	-	238,219	(238,219)
Net investment income	-	1,672,873	(1,672,873)
Benefit payments, including refunds	(1,473,125)	(1,473,125)	-
Administrative expenses	-	(16,945)	16,945
Other changes	-	(1,048)	1,048
Net Changes	<u>1,601,632</u>	<u>928,555</u>	<u>673,077</u>
Balances at June 30, 2019	<u>\$ 28,250,853</u>	<u>\$ 26,250,331</u>	<u>\$ 2,000,522</u>

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

The following presents the net pension liability of the City of Emporia, Virginia using the discount rate of 6.75%, as well as what the City of Emporia, Virginia's net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
Political subdivision's Net Pension Liability	\$ 5,495,557	\$ 2,000,522	\$ (803,144)

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

For the year ended June 30, 2020, the City of Emporia, Virginia recognized pension expense of \$613,015. At June 30, 2020, the City of Emporia, Virginia 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	\$ 29,544	\$ 130,902
Change in assumptions	534,057	6,697
Net difference between projected and actual earnings on pension plan investments	-	232,918
Employer contributions subsequent to the measurement date	<u>521,765</u>	<u>-</u>
Total	<u>\$ 1,085,366</u>	<u>\$ 370,517</u>

\$521,765 reported as deferred outflows of resources related to pensions resulting from the City of Emporia, Virginia's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2021. 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,**

2021	\$ 166,117
2022	(33,865)
2023	46,112
2024	14,720
2025	-
Thereafter	-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 *Comprehensive Annual Financial Report (CAFR)*. A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

18 Other Post-Employment Benefits - 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 OPEB 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
<p>Eligible Employees</p> <p>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:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.</p>
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> Accidental dismemberment benefit Safety belt benefit Repatriation benefit Felonious assault benefit Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>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.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>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 in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.</p>

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, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$25,766 and \$25,615 for the years ended June 30, 2020 and June 30, 2019, 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, 2020, the entity reported a liability of \$408,932 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. 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, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employer's proportion was .52% as compared to .02528% at June 30, 2018.

For the year ended June 30, 2020, the participating employer recognized GLI OPEB expense of \$14,840. 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, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 27,196	\$ 5,304
Net difference between projected and actual earnings on GLI OPEB program investments	-	8,400
Change in assumptions	25,818	12,331
Changes in proportion	22,252	2,001
Employer contributions subsequent to the measurement date	<u>25,766</u>	<u>-</u>
Total	<u>\$ 101,032</u>	<u>\$ 28,036</u>

\$25,766 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, 2021. 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,**

2021	\$	6,837
2022		6,837
2023		10,395
2024		11,912
2025		9,028
Thereafter		2,221

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, 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, 2019.

Inflation	2.50%
Salary increases, including inflation -	
General state employees	3.50% - 5.35%
Teachers	3.50% - 5.95%
SPORS employees	3.50% - 4.75%
VaLORS employees	3.50% - 4.75%
JRS employees	4.50%
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty employees	3.50% - 4.75%
Investment rate of return	6.75%, 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 6.75%. However, since the difference was minimal, and a more conservative 6.75% 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 6.75% 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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2018 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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 the measurement date of June 30, 2019, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,390,238
Plan Fiduciary Net Position	<u>1,762,972</u>
GLI Net OPEB Liability (Asset)	<u>\$ 1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%

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	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	<u>3.00%</u>	6.29%	<u>0.19%</u>
Total	<u>100.00%</u>		<u>5.13%</u>
	Inflation		<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. 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 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. 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 which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue 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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Discount Rate (6.75%)	1.00% Increase (7.75%)
State Agency's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability	\$ 537,223	\$ 408,932	\$ 304,891

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 2019 *Comprehensive Annual Financial Report* (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-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.

Relationship between Valuation Date, Measurement Date, and Reporting Date

The valuation date is July 1, 2019. This is the date of which the actuarial valuation is performed. The measurement date is June 30, 2020. This is the date as of which the total OPEB liability is determined. The reporting date is June 30, 2020. This is the plan's and/or employer's fiscal year ending date.

Significant Changes

There have been no significant changes between the valuation date and fiscal year end.

Participant Data as of July 1, 2019

	<u>Number</u>
Actives	103
Retirees	3
Beneficiaries	0
Spouses of Retirees	<u>0</u>
Total Covered Employees	<u>106</u>

Changes in Total OPEB Liability

	<u>Increase (Decrease)</u> <u>Total OPEB Liability</u>
Balances at June 30, 2019	\$ 389,688
Changes for the Year	
Service cost	22,759
Interest on total OPEB liability	14,116
Effect of plan changes	-
Effect of economic/demographic gains or losses	116,290
Effect of assumptions changes or inputs	21,026
Benefit payments	<u>(18,416)</u>
Balances at June 30, 2020	<u>\$ 545,463</u>

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.21%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate.

Using Discount Rates	1.00% Decrease (1.21%)	Discount Rate (2.21%)	1.00% Increase (3.21%)
Total OPEB Liability	\$ 587,942	\$ 545,463	\$ 505,365

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 one percentage point lower or one 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	\$ 483,581	\$ 545,463	\$ 617,859

As of June 30, 2020, 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	\$ 98,933	\$ -
Changes of assumptions	25,617	6,246
Employer contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 124,550</u>	<u>\$ 6,246</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,**

2021	\$ 21,008
2022	21,008
2023	20,952
2024	20,495
2025	20,495
Thereafter	14,346

Total OPEB Liability

June 30, 2019 June 30, 2020

Total OPEB Liability	\$ 389,688	\$ 545,463
Covered Payroll	4,876,760	4,876,404
Total OPEB Liability as a % of Covered Payroll	7.99%	11.19%

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 was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 75.

Discount Rate

Discount Rate	3.50%	2.21%
20 Year Tax-Exempt Municipal Bond Yield	3.50%	2.21%

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

Other Key Actuarial Assumptions

The demographic assumptions used to determine the Total OPEB Liability as of June 30, 2020 were based on the results of an actuarial experience study for the Virginia Retirement System covering the period from July 1, 2012 to June 30, 2016. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on April 26, 2017.

Valuation Date	June 30, 2017	July 1, 2019
Measurement Date	June 30, 2019	June 30, 2020
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Inflation	2.50%	2.50%
Medical Trend Rate	7.30% - 4.20% over 80 years	10.60% - 4.00% over 75 years
Salary Increases, including inflation	Graded Scale	Graded Scale

20 Fund Balances – Governmental Funds

As of June 30, 2020, fund balances are composed of the following:

	<u>Primary Government</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Emporia Redevelopment and Housing Authority Fund</u>	<u>Emporia Industrial Development Authority Fund</u>	
Restricted for				
Program income projects	\$ -	\$ 46,406	\$ -	\$ 46,406
Citizens Bank building investment	-	1,310,309	-	1,310,309
Total Restricted Balances	-	1,356,715	-	1,356,715
Assigned	-	-	33,962	33,962
Unassigned	13,005,094	-	-	13,005,094
Total Fund Balances	<u>\$ 13,005,094</u>	<u>\$ 1,356,715</u>	<u>\$ 33,962</u>	<u>\$ 14,395,771</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, 2020.

<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%	\$ 143,001

22 Restatement of Net Position

Net position has been restated in the business-type activities as follows:

Balance as of June 30, 2019	\$ 4,197,895
Adjustment for uncollectible receivables in prior years	<u>(265,804)</u>
Balance as of June 30, 2019 - Restated	<u>\$ 3,932,091</u>

23 Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2020 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2020. Management has performed their analysis through October 28, 2021.

REQUIRED SUPPLEMENTARY INFORMATION



City of Emporia, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2020

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Real property taxes	\$ 3,230,361	\$ 3,230,361	\$ 3,142,134	\$ (88,227)
Personal property taxes	1,499,009	1,499,009	1,207,665	(291,344)
Public service corporation property taxes	221,764	221,764	222,545	781
Delinquent taxes	180,000	180,000	1,052,803	872,803
Penalties and interest on taxes	<u>61,000</u>	<u>61,000</u>	<u>50,333</u>	<u>(10,667)</u>
Total General Property Taxes	5,192,134	5,192,134	5,675,480	483,346
Other Local Taxes				
Local sales and use taxes	1,700,000	1,700,000	1,667,301	(32,699)
Consumers' utility taxes	394,000	394,000	363,991	(30,009)
Business license taxes	785,000	785,000	827,269	42,269
Motor vehicle licenses	120,000	120,000	117,270	(2,730)
Bank stock taxes	205,000	205,000	167,928	(37,072)
Tax on recordation and wills	22,000	22,000	62,165	40,165
Lodging taxes	1,400,000	1,400,000	1,218,375	(181,625)
Meals taxes	<u>2,100,000</u>	<u>2,100,000</u>	<u>1,913,078</u>	<u>(186,922)</u>
Total Other Local Taxes	6,726,000	6,726,000	6,337,377	(388,623)
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	2,500	2,500	1,830	(670)
Planning and zoning	2,200	2,200	3,274	1,074
Building permits	<u>13,000</u>	<u>13,000</u>	<u>14,810</u>	<u>1,810</u>
Total Permits, Privilege Fees, and Regulatory Licenses	17,700	17,700	19,914	2,214
Fines and Forfeitures				
	1,075,000	1,075,000	959,699	(115,301)
Revenue from Use of Money and Property				
Revenue from use of money	167,000	167,000	156,978	(10,022)
Revenue from use of property	<u>2,500</u>	<u>2,500</u>	<u>5,635</u>	<u>3,135</u>
Total Revenue from Use of Money and Property	169,500	169,500	162,613	(6,887)

	<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	886,692	886,692	894,170	7,478
Other charges for services	<u>18,000</u>	<u>18,000</u>	<u>3,894</u>	<u>(14,106)</u>
Total Charges for Services	904,692	904,692	898,064	(6,628)
Recovered Costs				
From Greensville County, Virginia	58,400	58,400	43,499	(14,901)
Other recovered costs	<u>366,270</u>	<u>359,380</u>	<u>250,941</u>	<u>(108,439)</u>
Total Recovered Costs	424,670	417,780	294,440	(123,340)
Miscellaneous				
	<u>21,395</u>	<u>18,695</u>	<u>26,921</u>	<u>8,226</u>
Total Miscellaneous	21,395	18,695	26,921	8,226
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Auto rental taxes	25,000	25,000	17,268	(7,732)
Rolling stock taxes - motor vehicle carriers tax	11,000	11,000	21,675	10,675
Personal Property Tax Relief	570,319	570,319	570,319	-
Communication taxes	230,000	230,000	221,199	(8,801)
Recordation and grantors' tax	<u>6,480</u>	<u>6,480</u>	<u>11,685</u>	<u>5,205</u>
Total Noncategorical Aid	842,799	842,799	842,146	(653)
<i>Categorical Aid</i>				
Shared Expenses				
Sheriff	152,081	152,081	149,696	(2,385)
Commissioner of the Revenue	69,680	69,680	69,635	(45)
Treasurer	69,072	69,072	69,073	1
Registrar/Electoral Board	35,950	35,950	43,005	7,055
Law enforcement grants	220,148	220,148	228,732	8,584
Emergency services grants	138,606	138,606	45,892	(92,714)
Litter control	-	-	4,883	4,883
State asset forfeiture funds	10,000	10,000	14,820	4,820
E 911 Wireless	146,023	146,023	44,579	(101,444)
Fire program funds	20,515	21,587	21,587	-
State sales tax - education	1,185,922	1,185,922	1,203,832	17,910
Virginia Commission for the Arts	4,500	4,500	4,500	-
Street and highway maintenance	1,146,467	1,146,467	1,146,474	7
Family violence prevention	62,120	105,410	-	(105,410)
Virginia Juvenile Community Crime Control	63,101	63,101	97,277	34,176
Criminal justice service - Sexual Assault	45,490	42,000	-	(42,000)
Criminal justice service - Victim Witness	27,719	27,719	79,004	51,285
VDOT - E Atlantic Street	400,815	400,815	16,786	(384,029)
VDSS Child Advocacy Services	102,824	183,049	8,853	(174,196)
Tobacco Region grant	120,000	120,000	10,000	(110,000)
Other grants	<u>-</u>	<u>20,000</u>	<u>616</u>	<u>(19,384)</u>
Total Categorical Aid	4,021,033	4,162,130	3,259,244	(902,886)
Total Revenue from the Commonwealth of Virginia	4,863,832	5,004,929	4,101,390	(903,539)

Variance
With
Final Budget
Positive
(Negative)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenue from the Federal Government				
DCJS Sexual Assault Grant	264,103	286,328	393,177	106,849
DCJS Victim Witness Grants	192,965	192,965	-	(192,965)
DCJS Edward Byrne JAG grant	-	8,076	8,075	(1)
Dept. of Housing and Urban Development - E. Atlantic	475,979	475,979	227,521	(248,458)
Emergency services grants - EMPG	-	-	10,285	10,285
Emergency services grants - HMGP	530,057	530,057	172,097	(357,960)
VDSS Child Advocacy Services	-	-	141,185	141,185
VDOT State of Good Repair funds	268,855	268,855	-	(268,855)
CARES Act - COVID	-	-	82,008	82,008
Total Revenue from the Federal Government	<u>1,731,959</u>	<u>1,762,260</u>	<u>1,034,348</u>	<u>(727,912)</u>
Total Intergovernmental Revenues	<u>6,595,791</u>	<u>6,767,189</u>	<u>5,135,738</u>	<u>(1,631,451)</u>
Total Revenues	21,126,882	21,288,690	19,510,246	(1,778,444)
Expenditures				
Current				
<i>General Government Administration</i>				
Legislative	210,895	210,895	213,568	(2,673)
City Manager	614,651	614,651	631,576	(16,925)
Legal services	39,575	39,575	61,669	(22,094)
Commissioner of Revenue	305,495	305,495	296,038	9,457
Treasurer	119,911	119,911	118,682	1,229
Director of Finance	189,088	189,088	179,511	9,577
Data processing	27,600	27,600	40,342	(12,742)
Board of Elections/Registrar	<u>125,110</u>	<u>125,110</u>	<u>132,265</u>	<u>(7,155)</u>
Total General Government Administration	1,632,325	1,632,325	1,673,651	(41,326)
<i>Judicial Administration</i>				
Circuit Court - shared services	2,622,562	2,622,562	2,555,186	67,376
Juvenile and Domestic Relations Court	185,941	189,941	181,114	8,827
Sheriff	338,029	338,029	325,361	12,668
VDSS Child Advocacy Services	102,824	183,049	155,134	27,915
Family violence	62,120	105,410	103,991	1,419
Sexual assault	309,593	328,328	305,446	22,882
Victim Witness	220,684	220,684	108,450	112,234
VJCCC Grant	<u>109,515</u>	<u>109,515</u>	<u>111,359</u>	<u>(1,844)</u>
Total Judicial Administration	3,951,268	4,097,518	3,846,041	251,477
<i>Public Safety</i>				
Police Department	3,601,011	3,694,296	3,431,899	262,397
Volunteer Fire Department	158,336	159,408	199,405	(39,997)
Ambulance and rescue service	17,713	17,713	21,119	(3,406)
Building Inspections	157,923	152,187	146,443	5,744
Animal control	141,158	99,649	81,759	17,890
Emergency services	<u>95,318</u>	<u>95,318</u>	<u>90,791</u>	<u>4,527</u>
Total Public Safety	4,171,459	4,218,571	3,971,416	247,155
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	1,406,202	1,406,202	1,002,017	404,185
Refuse collection	1,110,808	1,150,877	1,178,233	(27,356)
Engineering	110,090	110,090	118,086	(7,996)
City Shop	204,581	204,581	184,988	19,593
General buildings and grounds	<u>356,482</u>	<u>356,482</u>	<u>342,081</u>	<u>14,401</u>
Total Public Works	3,188,163	3,228,232	2,825,405	402,827

	<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	76,283	76,283	95,885	(19,602)
Mental Health and Mental Retardation	46,530	46,530	46,530	-
Children's services act	156,943	156,943	156,943	-
Welfare and social services	383,190	383,190	273,059	110,131
Total Health and Welfare	<u>662,946</u>	<u>662,946</u>	<u>572,417</u>	<u>90,529</u>
<i>Education</i>				
Superintendent	500	500	500	-
Contract services (shared costs)	4,909,052	4,909,052	4,913,686	(4,634)
Community Colleges and Eagle Scholarship	40,985	40,985	60,985	(20,000)
Total Education	<u>4,950,537</u>	<u>4,950,537</u>	<u>4,975,171</u>	<u>(24,634)</u>
<i>Parks, Recreation, and Cultural</i>				
Parks and recreation	289,503	307,005	258,833	48,172
Regional library	94,949	94,949	94,949	-
Total Parks, Recreation, and Cultural	<u>384,452</u>	<u>401,954</u>	<u>353,782</u>	<u>48,172</u>
<i>Community Development</i>				
Zoning Board	540,280	540,280	312,303	227,977
Economic development	137,745	164,635	114,949	49,686
Housing needs - CIG grant	1,930,199	1,930,199	651,787	1,278,412
Airport Commission	60,000	60,000	319,998	(259,998)
Cooperative Extension Program	44,360	44,360	40,292	4,068
Total Community Development	<u>2,712,584</u>	<u>2,739,474</u>	<u>1,439,329</u>	<u>1,300,145</u>
<i>Debt Service</i>				
	<u>697,249</u>	<u>645,414</u>	<u>634,439</u>	<u>10,975</u>
Total Expenditures	<u>22,350,983</u>	<u>22,576,971</u>	<u>20,291,651</u>	<u>2,285,320</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,224,101)	(1,288,281)	(781,405)	506,876
Other Financing Sources (Uses)				
Transfers in	119,803	119,803	119,803	-
Transfers out	(211,981)	(211,981)	(161,716)	50,265
Issuance of debt	571,000	571,000	530,205	(40,795)
Total Other Financing Sources (Uses)	<u>478,822</u>	<u>478,822</u>	<u>488,292</u>	<u>9,470</u>
Net Change in Fund Balance	(745,279)	(809,459)	(293,113)	516,346
From Surplus	<u>745,279</u>	<u>809,459</u>	<u>-</u>	<u>(809,459)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	(293,113)	<u>\$ (293,113)</u>
Fund Balance - Beginning of Year			<u>13,298,207</u>	
Fund Balance - End of Year			<u>\$ 13,005,094</u>	

Emporia Redevelopment and Housing Authority Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Recovered costs	\$ 1,680	\$ 1,680	\$ -	\$ (1,680)
Use of money and property	<u>440</u>	<u>440</u>	<u>72</u>	<u>(368)</u>
Total Revenues	2,120	2,120	72	(2,048)
Expenditures				
Community Development	<u>71,546</u>	<u>71,546</u>	<u>11,538</u>	<u>60,008</u>
Excess (Deficiency) of Revenues Over Expenditures	(69,426)	(69,426)	(11,466)	57,960
Other Financing Sources (Uses)				
Transfers in	<u>25,100</u>	<u>25,100</u>	<u>10,840</u>	<u>(14,260)</u>
Net Change in Fund Balance Before Transfer from Surplus	(44,326)	(44,326)	(626)	43,700
Transfer from Surplus Funds	<u>44,326</u>	<u>44,326</u>	<u>-</u>	<u>(44,326)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(626)	<u>\$ (626)</u>
Fund Balance - Beginning of Year			<u>1,357,341</u>	
Fund Balance - End of Year			<u>\$ 1,356,715</u>	

Emporia Industrial Development Authority Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Use of money and property	\$ -	\$ -	\$ 159,639	\$ 159,639
Miscellaneous				
Business Incubation grants	-	-	13,838	13,838
Miscellaneous	-	-	1,123	1,123
Total Miscellaneous	-	-	14,961	14,961
Intergovernmental				
Revenue from the Federal Government				
CARES Act - COVID	-	-	28,360	28,360
Total Revenue from the Federal Government and Intergovernmental Revenues	-	-	28,360	28,360
Total Revenues	-	-	202,960	202,960
Expenditures				
Community Development				
Incentives	-	-	143,001	(143,001)
Rent and maintenance	-	-	16,414	(16,414)
Payouts - Business Incubation Grants	-	-	14,559	(14,559)
CARES Act	-	-	28,360	(28,360)
Total Community Development	-	-	202,334	(202,334)
Debt Service	-	-	54,483	(54,483)
Total Expenditures	-	-	256,817	(256,817)
Excess (Deficiency) of Revenues Over Expenditures	-	-	(53,857)	(53,857)
Other Financing Sources (Uses)				
Transfers in	-	-	150,876	150,876
Transfers out	-	-	(119,803)	(119,803)
Total Other Financing Sources (Uses)	-	-	31,073	31,073
Net Change in Fund Balance Before Transfer from Surplus	-	-	(22,784)	(22,784)
Transfer from Surplus Funds	-	-	-	-
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(22,784)	<u>\$ (22,784)</u>
Fund Balance - Beginning of Year			56,746	
Fund Balance - End of Year			<u>\$ 33,962</u>	

City of Emporia, Virginia

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

For the Plan Years Ended June 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 618,606	\$ 540,486	\$ 558,549	\$ 539,612	\$ 504,675	\$ 509,477
Interest	1,813,886	1,746,013	1,718,299	1,620,434	1,573,674	1,499,113
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(127,060)	81,374	(599,615)	288,704	(393,028)	-
Changes of assumptions	769,325	-	(94,063)	-	-	-
Benefit Payments	<u>(1,473,125)</u>	<u>(1,323,396)</u>	<u>(1,051,117)</u>	<u>(1,050,238)</u>	<u>(984,394)</u>	<u>(902,468)</u>
Net change in total pension liability	1,601,632	1,044,477	532,053	1,398,512	700,927	1,106,122
Total pension liability - beginning	<u>26,649,221</u>	<u>25,604,744</u>	<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>\$ 28,250,853</u>	<u>\$ 26,649,221</u>	<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	\$ 508,581	\$ 528,732	\$ 494,818	\$ 506,409	\$ 508,462	\$ 528,196
Contributions - employee	238,219	236,618	219,230	204,860	206,241	214,325
Net investment income	1,672,873	1,776,476	2,650,279	378,168	963,146	2,898,251
Benefit Payments	(1,473,125)	(1,323,396)	(1,051,117)	(1,050,238)	(984,394)	(902,468)
Administrator charges	(16,945)	(15,472)	(15,335)	(13,592)	(13,256)	(15,585)
Other	<u>(1,048)</u>	<u>(1,572)</u>	<u>(2,357)</u>	<u>(160)</u>	<u>(203)</u>	<u>153</u>
Net change in plan fiduciary net position	928,555	1,201,386	2,295,518	25,447	679,996	2,722,872
Plan fiduciary net position - beginning	<u>25,321,776</u>	<u>24,120,390</u>	<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>\$ 26,250,331</u>	<u>\$ 25,321,776</u>	<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>\$ 2,000,522</u>	<u>\$ 1,327,445</u>	<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	7.08%	4.98%	5.80%	12.95%	7.92%	8.07%
Covered payroll	\$ 4,925,969	\$ 4,806,696	\$ 4,475,770	\$ 4,147,860	\$ 4,157,086	\$ 4,140,695
Political subdivision's net pension liability as a percentage of covered payroll	40.61%	27.62%	33.16%	78.30%	45.10%	44.77%

City of Emporia, Virginia

Schedule of Employer Contributions

Political Subdivisions Retirement Plan

For the Years Ended June 30, 2011 through 2020

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
2020	\$ 521,765	\$ 521,765	\$ -	\$ 4,955,030	10.53%
2019	518,704	518,704	-	4,925,969	10.53%
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

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, 2020

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 actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

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%
Discount Rate	Decrease rate from 7.00% to 6.75%

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%
Discount Rate	Decrease rate from 7.00% to 6.75%

City of Emporia, Virginia

Schedule of Employer's Share of Net OPEB Liability
Group Life Insurance Plan (GLI)

For the Measurement Dates of June 30, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.25130%	0.02528%	0.02426%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 408,932	\$ 384,000	\$ 365,000
Employer's Covered Payroll	\$ 4,925,969	\$ 4,806,696	\$ 4,475,770
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.30%	7.99%	8.16%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2019 is the third year for this presentation, only three years of data are available. However, additional years will be included as they become available.

For Reference Only

The Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability for the VRS Group Life Insurance Program for each year is presented on page 127 of the VRS 2019 Comprehensive Annual Financial Report (CAFR).

City of Emporia, Virginia

Group Life Insurance OPEB Plan

Schedule of Employer Contributions

For the Years Ended June 30, 2011 through 2020

Date	Contractually Required Contribution (1)	Contribution in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 25,766	\$ 25,766	\$ -	\$ 4,955,030	0.52%
2019	25,615	25,615	-	4,925,969	0.52%
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%

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 – OPEB Group Life Insurance Program

For the Year Ended June 30, 2020

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 actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

Teachers

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated 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
Discount Rate	Decrease rate from 7.00% to 6.75%

SPORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

VaLORS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

JRS Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated 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
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated 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%
Discount Rate	Decrease rate from 7.00% to 6.75%

City of Emporia, Virginia

Schedule of Changes in Total OPEB Liability and Related Ratios

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 22,759	\$ 16,042	\$ 16,679
Interest on total OPEB liability	14,116	14,144	12,843
Effect of plan changes	-	-	-
Effect of economic/demographic gains or (losses)	116,290	-	-
Effect of assumption changes or inputs	21,026	13,061	(12,705)
Benefit payments	<u>(18,416)</u>	<u>(5,941)</u>	<u>(29,198)</u>
Net change in total OPEB liability	155,775	37,306	(12,381)
Total OPEB liability - beginning	<u>389,688</u>	<u>352,382</u>	<u>364,763</u>
Total OPEB liability - ending (a)	<u>\$ 545,463</u>	<u>\$ 389,688</u>	<u>\$ 352,382</u>
Covered payroll	\$ 4,876,404	\$ 4,876,760	\$ 4,876,760
Political subdivision's net OPEB liability as a percentage of covered payroll	11.19%	7.99%	7.23%

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the 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, 2011 through 2020

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2020	\$ -	\$ -	\$ -	\$4,876,404	0.00%
2019	-	-	-	4,876,760	0.00%
2018	-	-	-	4,876,760	0.00%
2017	-	-	-	4,512,300	0.00%
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

COMPLIANCE SECTION





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH 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, 2020, 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 October 28, 2021.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

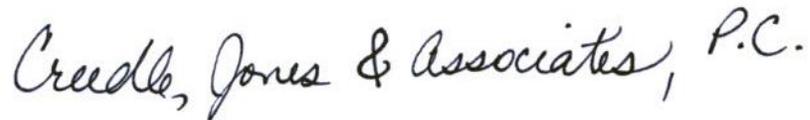
As part of obtaining reasonable assurance about whether the City of Emporia, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

City of Emporia, Virginia's Response to Findings

City of Emporia, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Emporia, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
October 28, 2021



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, 2020. 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, 2020.

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 & Associates, P.C.
Certified Public Accountants

South Hill, Virginia
October 28, 2021



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, 2020, and have issued our report thereon dated October 28, 2021.

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
- Debt Provisions
- Procurement
- Unclaimed Property
- Personal Property Tax Relief Act

State Agency Requirements

- 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 & Associates, P.C.

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

South Hill, Virginia
October 28, 2021

City of Emporia, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	<u>Federal CFDA Number</u>	<u>Pass- through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
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	\$ 227,521
Subtotal - U. S. Department of Housing and Urban Development			227,521
U. S. Department of the Treasury			
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Accounts</i>			
Coronavirus Relief Funds	21.019	151	110,368
Subtotal - U. S. Department of the Treasury			110,368
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
Hazard Mitigation Grant	97.039	127	172,097
Subtotal - U. S. Department of Homeland Security			182,382
U. S. Department of Justice (DOJ)			
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Criminal Justice Services</i>			
Crime Victim Assistance (VOCA)	16.575	140	393,177
Edward Byrne Memorial Justice Assistance Grants	16.738	140	8,075
			401,252
<i>Commonwealth of Virginia Department of Social Services</i>			
Crime Victim Assistance Grant - Child Advocacy	16.575	765	111,923
Subtotal - U. S. Department of Justice			513,175
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	93.558	765	29,262
Total TANF Cluster			29,262
 Grand Totals			 \$ 1,062,708

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, 2020. 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.

City of Emporia, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Disclaimer

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

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

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

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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16.575	Crime Victim Assistance Grant
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings

Finding No. 2020-001 – Month-end and Year-end Closing Procedures

Criteria:

The City should follow the BAI accounting software procedures for month and year-end closing for proper posting and cutoff for transactions.

Condition:

The City had outstanding journal entries that were originally not posted to the June 30, 2020 balances so various general ledger reports and trial balances did not match.

Cause:

BAI accounting software procedures were unknown due to turnover of the director of finance position during the fiscal period under audit and after year end.

Effect or potential effect:

The general ledger balances being reported were incorrect and were not updated for all the journal entries outstanding.

Recommendation:

The City's personnel need proper training on the BAI software.

Views of responsible officials:

The City is working with BAI software on the month and year-end closings for June 2021. When needed, personnel are contacting BAI for assistance.

Finding No. 2020-002 – Bank Reconciliation

Criteria:

Bank reconciliations should be performed timely for each month.

Condition:

Bank reconciliations were not prepared for any months since October 2019.

Cause:

Turnover in the finance director position and lack of knowledge related to the BAI system resulted in the bank reconciliation not being prepared.

Effect or potential effect:

Cash transactions have the potential to effect the balance sheet and income statement accounts; therefore, if cash is materially misstated other accounts will be misstated.

Recommendation:

The City should prepare monthly bank reconciliations with proper approval by a person independent of the bank reconciliation process.

Views of responsible officials:

The City is actively moving this function to the Treasurer's department. The City has recruited retired personnel from other local governments who worked in the Treasurer's department in those functions of bank reconciliation procedures and are diligently resolving this issue.

Section III – Federal Awards Findings and Questioned Costs

No matters were reported

CITY OF EMPORIA, VIRGINIA
P. O. Box 511
Emporia, Virginia 23847

CORRECTIVE ACTION PLAN

October 28, 2021

City of Emporia, Virginia respectfully submits the following corrective action plan for the year ended June 30, 2020.

Name and address of independent public accounting firm:

Creedle, Jones & Associates, P.C.
P. O. Box 487
South Hill, Virginia 23970

Audit Period: July 1, 2019 through June 30, 2020

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2020 are discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDING – FINANCIAL STATEMENT AUDIT

Finding No. 2020-1 – Month-end and Year-end Closing Procedures

Recommendation:

The City's personnel need proper training on the BAI software.

Action Taken:

The City is working with BAI software on the month and year-end closings for June 2021. When needed, personnel are contacting BAI for assistance.

Finding No. 2020-002 – Bank Reconciliation

Recommendation:

The City should prepare monthly bank reconciliations with proper approval by a person independent of the bank reconciliation process.

Action Taken:

The City has transferred this process to the Treasurer's office. The finance department is in the process of establishing review procedures.

If anyone has questions regarding this plan, please call William E. Johnson, III, City Manager, at 434-634-3332.

Sincerely yours,



William E. Johnson, III
City Manager