

City of Emporia, Virginia

*Annual Comprehensive Financial Report
Year Ended June 30, 2022*

City of Emporia, Virginia
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Year Ended June 30, 2022

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I. FINANCIAL SECTION





Independent Auditor's Report

To the City Council
City of Emporia, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Emporia, Virginia (including its blended component units), as of and for the year ended June 30, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Emporia, Virginia (including its blended component units), as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Emporia, Virginia and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Emporia, Virginia's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial doubt likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Emporia, Virginia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Emporia, Virginia's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 other post-employment benefits (OPEB) funding be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

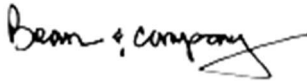
provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 December 15, 2023, 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 the 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.



Greenbelt, Maryland
December 15, 2023

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, 2022. 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 \$23,104,365. Of this amount, \$11,661,209 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 \$1,650,876 with an unrestricted balance of \$(684,193).
- As of June 30, 2022, the City's Governmental Funds reported combined ending fund balances of \$14,550,485. Approximately 89.7% of this amount is available for spending at the City's discretion (unassigned fund balance).
- At the end of fiscal year 2022, the General Fund unassigned fund balance was \$13,019,514, or approximately 56.1% 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 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 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 custodial funds. Custodial 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

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2022 and 2021

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets						
Current and Other Assets	\$21,327,177	\$17,230,827	\$ 6,294,751	\$11,483,825	\$27,621,928	\$28,714,652
Capital Assets (Net)	<u>15,226,374</u>	<u>15,011,058</u>	<u>31,274,154</u>	<u>27,879,246</u>	<u>46,500,528</u>	<u>4,289,030</u>
Total Assets	36,553,551	32,241,885	37,568,905	39,363,071	74,122,456	33,003,682
Deferred Outflows of Resources	<u>2,285,711</u>	<u>1,726,623</u>	<u>435,373</u>	<u>328,882</u>	<u>2,721,084</u>	<u>2,055,505</u>
Total Assets and Deferred Outflows of Resources	<u>\$38,839,262</u>	<u>\$33,968,508</u>	<u>\$38,004,278</u>	<u>\$39,691,953</u>	<u>\$76,843,540</u>	<u>\$73,660,461</u>
Liabilities						
Current and Other Liabilities	7,202,218	3,259,061	2,536,596	1,230,205	9,738,814	4,489,266
Long-term Liabilities	<u>5,183,767</u>	<u>9,340,389</u>	<u>33,132,667</u>	<u>34,370,036</u>	<u>38,316,434</u>	<u>43,710,425</u>
Total Liabilities	12,385,985	12,599,450	35,669,263	35,600,241	48,055,248	48,199,691
Deferred Inflows of Resources	3,348,912	67,591	684,139	12,871	4,033,051	80,462
Net Position						
Net Investment in Capital Assets	10,077,016	9,843,569	2,335,015	1,691,876	12,412,031	11,535,445
Restricted	1,366,140	1,368,720	-	-	1,366,140	1,368,720
Unrestricted	<u>11,661,209</u>	<u>10,089,178</u>	<u>(684,139)</u>	<u>2,386,965</u>	<u>10,977,070</u>	<u>12,476,143</u>
Total Net Position	<u>23,104,365</u>	<u>21,301,467</u>	<u>1,650,876</u>	<u>4,078,841</u>	<u>24,755,241</u>	<u>25,380,308</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$38,839,262</u>	<u>\$33,968,508</u>	<u>\$38,004,278</u>	<u>\$39,691,953</u>	<u>\$76,843,540</u>	<u>\$73,660,461</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 \$52,088,299 at June 30, 2022. A large portion of the reporting entity's net position, \$12,412,031 reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition. Net position which is unrestricted totals \$11,017,070.

Statement of Activities

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

	Governmental Activities		Business Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	\$ 1,058,073	\$ 2,080,800	\$ 4,154,857	\$ 4,221,262	\$ 5,212,930	\$ 6,302,062
Operating Grants and Contributions	6,636,660	4,683,388	-	-	6,636,660	4,683,388
General Revenues						
General Property Taxes, Real and Personal	5,802,604	4,903,726	-	-	5,802,604	4,903,726
Other Taxes	9,226,955	6,433,396	-	-	9,226,955	6,433,396
Grants and Contributions Not Restricted to Specific Programs	747,833	873,678	-	-	747,833	873,678
Unrestricted Revenues from use of Money and Property	167,034	175,224	-	-	167,034	175,224
Investment Earnings	5,945	81,757	25,768	18,969	31,713	100,726
Miscellaneous	219,167	204,851	61,652	5,686	280,819	210,537
Total Revenues	23,864,271	19,436,820	4,242,277	4,245,917	28,106,548	23,682,737
Expenses						
General Government Administration	2,112,083	1,809,849	-	-	2,112,083	1,809,849
Judicial Administration	3,199,176	3,816,780	-	-	3,199,176	3,816,780
Public Safety	4,482,699	3,822,125	-	-	4,482,699	3,822,125
Public Works	2,786,014	3,876,814	-	-	2,786,014	3,876,814
Health and Welfare	532,232	506,838	-	-	532,232	506,838
Education	6,107,985	3,880,359	-	-	6,107,985	3,880,359
Parks, Recreation and Cultural	427,173	397,187	-	-	427,173	397,187
Community Development	2,310,465	1,211,142	-	-	2,310,465	1,211,142
Water and Sewer	-	-	3,136,463	3,261,038	3,136,463	3,261,038
Interest on Long-term Debt	103,546	147,165	1,138,088	1,079,813	1,241,634	1,226,978
Total Expenses	22,061,373	19,468,259	4,274,551	4,340,851	26,335,924	23,809,110
Increase (Decrease) in Net Position Before Transfers and Appropriation	1,802,898	(31,439)	(32,274)	(94,934)	1,770,624	(126,373)
Change in Net Position	1,802,898	(51,404)	(32,274)	(74,969)	1,770,624	(126,373)
Beginning Net Position	21,301,467	21,352,871	1,683,150	4,153,810	22,984,617	25,506,681
Ending Net Position	\$ 23,104,365	\$ 21,301,467	\$ 1,650,876	\$ 4,078,841	\$ 24,755,241	\$ 25,380,308

Governmental activities increased the City's net position by \$1,802,898 for the fiscal year 2022. Revenues from governmental activities totaled \$ 23,864,271. Other taxes comprise the largest source of these revenues, totaling \$9,226,955 or 39% of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$ 22,061,373. Education was the City's largest program with expenses totaling \$ 6,107,985. Public Safety, which totals \$4,482,699, 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, 2022 and 2021

	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General Government Administration	\$ 2,112,083	\$ (1,419,034)	\$ 1,809,849	\$ (1,636,769)
Judicial Administration	3,199,176	(2,447,987)	3,816,780	(3,390,520)
Public Safety	4,482,699	(2,714,026)	3,822,125	(1,226,173)
Public Works	2,786,014	(1,756,831)	3,876,814	(1,612,416)
Health and Welfare	1,070,210	(533,478)	506,838	(506,838)
Education	6,107,985	(4,337,773)	3,880,359	(2,654,001)
Parks, Recreation, and Cultural	427,173	(431,786)	397,187	(392,687)
Community Development	2,310,465	(286,404)	1,211,142	(1,137,502)
Interest on Long-term Debt	103,546	(873,811)	147,165	(147,165)
Total	<u>\$22,599,351</u>	<u>\$(14,801,130)</u>	<u>\$19,468,259</u>	<u>\$ (12,704,071)</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 \$13,716,910. The combined governmental fund balance increased by \$760,783 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 \$12,307,524. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. The Unassigned fund balance represents 56.1% of total fund expenditures.

Budgetary Highlights

General Fund

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

Budgetary Comparison General Fund

For the Fiscal Years Ended June 30, 2022 and 2021

	2022			2021		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues						
Taxes	\$12,275,190	\$12,275,190	\$14,717,688	\$11,754,913	\$11,754,915	\$11,144,383
Other	3,423,767	3,400,714	2,472,611	2,528,367	2,534,992	2,853,152
Intergovernmental	5,394,276	8,504,979	6,455,767	6,188,235	7,171,389	5,485,427
Total Revenues	21,093,233	24,180,883	23,646,066	20,471,517	21,461,296	19,482,962
Expenditures	22,230,377	29,177,726	23,208,426	21,749,089	23,844,913	21,941,090
Excess (Deficiency) of Revenues Over Expenditures	(1,137,144)	(4,996,843)	437,640	(1,277,572)	(2,383,617)	(2,458,128)
Other Financing Sources (Uses)						
Fund Balance Appropriation	(20,000)	(20,000)	(20,000)			
Issuance of Debt	-	-	-	653,000	1,000,000	1,240,000
Capital Lease Proceeds	79,800	76,184	298,015	119,803	653,000	653,000
Transfers In	-			(250,000)	119,803	58,333
Transfers out			(204,799)		(268,122)	(272,572)
Total Other Financing Sources (Uses)	59,800	56,184	73,216	522,803	1,504,681	1,678,761
Change in Fund Balance before Surplus	(1,097,344)	(4,940,659)	510,856	(754,769)	(878,936)	(779,367)
From Surplus	1,097,344	4,940,659	-	754,769	878,936	-
Change in Fund Balance	\$ -	\$ -	\$ 510,856	\$ -	\$ -	\$ (779,367)

Final amended budget revenues were more than the original budget by \$3,087,650.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$6,947,349.

Actual revenues were less than final budget amounts by \$534,817 or 02.21%, while actual expenditures were \$5,969,300 or 20.45% less than final budget amounts.

The City budgeted grant income and expenditures which did not begin in FY22.

Capital Assets and Long-Term Debt

Capital Assets

As of June 30, 2022, the City's governmental activities net capital assets total \$15,226,375 which represents a net increase of \$215,317 or .01% over the previous fiscal year-end balance. The business-type activities net capital assets total \$31,274,155 an increase of \$3,394,909 or 12.17% over the previous fiscal year.

	Change in Capital Assets Governmental Activities		
	Balance July 1, 2021	Net Additions and Deletions	Balance June 30, 2022
Land and Improvements	\$ 2,302,871	-	\$ 2,302,871
Buildings & Improvements	8,458,051		8,458,051
Infrastructure	20,285,999		20,285,999
Furniture, Equipment & Vehicles	10,591,302	1,659,440	12,250,742
Total Capital Assets	41,638,223	1,659,440	43,297,663
Less: Accumulated Depreciation and amortization	(26,627,165)	(1,444,123)	(28,071,288)
Total Capital Assets, Net	\$ 15,011,058	1,874,757	\$ 15,226,375

	Business-Type Activities		
	Balance July 1, 2021	Net Additions and Deletions	Balance June 30, 2022
Land and land Improvements	\$ 103,471	\$ -	\$ 103,471
Construction in Progress	3,796,294	4,263,219	8,059,513
added to Buildings and Systems		(3,796,294)	(3,796,294)
Buildings and Systems	35,780,724	3,796,294	39,577,018
Furniture, equipment, and vehicles & ROU Assets	1,528,871	102,400	1,631,271
Total Capital Assets	41,209,360	4,365,619	45,574,979
Less: Accumulated Depreciation and amortization	(13,330,114)	(970,710)	(14,300,824)
Total Capital Assets, Net	\$ 27,879,246	3,394,909	\$ 31,274,155

Long Term Debt

As of June 30, 2022, the City's long-term obligations total

	Balance July 1, 2021	Net Additions and Deletions	Balance June 30, 2022
Governmental Activities			
Long Term Debt	\$ 5,167,489	\$ (19,767)	\$ 5,147,722
Compensated Absences	454,678	(14,272)	440,406
Total Governmental Activities	5,622,167	(34,039)	5,588,128
Business Type Activities			
Long-term Debt & Bond Premium	33,437,264	(684,233)	32,753,031
Compensated Absences	164,465	(4,623)	159,842
Total business Type Activities	33,601,729	(688,856)	32,912,873
Total Primary Government	\$ 39,223,896	\$ (722,895)	\$ 38,501,001

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 City's elected and appointed officials considered many factors when setting the fiscal-year 2023 budget.

The average unemployment rate for the City of Emporia, Virginia in June 2022 was 8.2%. This compares unfavorably to the state's rate of 2.8% and the national rate of 3.6%.

The estimate in June 2020 by the University of Virginia Weldon Cooper Center is a population of 5,630.

These rates along with other indicators were taken into account when adopting the General Fund budget for 2023, which accounts for most of the City's operational costs. The fiscal year 2023 adopted budget anticipates general fund revenues and expenditures to be \$30,112,983, a 19.1% increase over the fiscal year 2022 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.

II. BASIC FINANCIAL STATEMENTS



City of Emporia, Virginia
Statement of Net Position
As of June 30, 2022 and 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 12,977,466	1,936,328	\$ 14,913,794
Receivables, net	608,529	569,067	1,177,596
Due from other funds	1,165,217	-	1,165,217
Due from other governments	4,927,006	-	4,927,006
Cash and cash equivalents, restricted	-	3,789,356	3,789,356
Other assets	1,648,959	-	1,648,959
Total Current Assets	21,327,177	6,294,751	27,621,928
Noncurrent Assets			
Capital assets			
Land and construction progress	2,302,871	8,133,488	10,436,359
Right of use assets		84,678	84,678
Other capital assets, net of accumulated depreciation	12,923,503	23,055,988	35,979,491
Capital assets, net	15,226,374	31,274,154	46,500,528
Other Assets			
Pension asset	906,421	172,652	1,079,073
Total Pension Asset	906,421	172,652	1,079,073
Deferred Outflows of Resources			
Pension	1,228,893	234,075	1,462,968
OPEB	150,397	28,646	179,043
Total Deferred Outflows of Resources	1,379,290	262,721	1,642,011
Total Assets and Deferred Outflows of Resources	\$ 38,839,262	38,004,278	\$ 76,843,540
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	552,577	332,825	885,402
Short term overdrafts	-	463,727	463,727
Due to other governments	46,262	-	46,262
Accrued interest payable	275,669	486,029	761,698
Compensated absences-current portion	44,040	16,044	60,084
Unearned grant	5,232,351		5,232,351
Customer deposits	-	217,697	217,697
Deferred taxes	274,502		274,502
Notes payable capital leases -Current portion	173,599	128,054	301,653
Bonds & loans due within one year	603,218	892,220	1,495,438
Total Current Liabilities	7,202,218	2,536,596	9,738,814
Noncurrent Liabilities			
Compensated absences	396,366	144,401	540,767
Bonds, loans and capital leases payable- <i>Due in more than one year</i>	-	-	-
Bonds, loans and capital leases payable Due to General Fund	4,170,054	31,751,713	35,921,767
		1,165,217	1,165,217
Net OPEB liability	617,347	71,336	688,683
Net pension liability	-	-	-
Total Noncurrent Liabilities	5,183,767	33,132,667	38,316,434
Total Liabilities			
Deferred Inflows of Resources			
Pension	3,129,104	596,020	3,725,124
OPEB	219,808	88,119	307,927
Total Deferred inflows of Resources	3,348,912	684,139	4,033,051
Net Position			
Net Investment in capital assets	10,077,016	2,335,015	12,412,031
Restricted for			
Citizens Bank Building Investment	1,366,140	-	1,366,140
Unrestricted	11,661,209	(684,139)	10,977,070
Total Net Position	23,104,365	1,650,876	24,755,241
Total Liabilities, Deferred inflows of Resources and Net Position	\$ 38,839,262	38,004,278	\$ 76,843,540

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

City of Emporia, Virginia
Statement of Activities
For the Fiscal Years Ended June 30, 2022 and 2021

Functional Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -Type Activities	
Primary Government							
Governmental Activities							
General Government Administration	\$ 2,112,083		\$ 693,049	\$ -	\$ (1,419,034)		\$ (1,419,034)
Judicial Administration	(2,447,987)			-	(2,447,987)		(2,447,987)
Public Safety	4,482,699	809,781	658,892	-	(2,714,026)		(2,714,026)
Public Works	2,786,014	1,058,073	1,727,941	-	(1,756,831)		(1,756,831)
Health and Welfare	1,070,210		536,732	-	(533,478)		(533,478)
Education	6,107,985		754,211	-	(5,353,774)		(5,353,774)
Parks, Recreation, and Cultural	427,173		(4,613)	-	(431,786)		(431,786)
Community Development	2,310,465		2,024,061	-	(286,404)		(286,404)
Interest and Lease Costs	103,546		-	-	(103,546)		(103,546)
Total Governmental Activities	16,952,188	1,867,854	6,390,273	-	(15,046,866)		(15,046,866)
Business -Type Activities							
Water and Sewer Fund	4,274,551	4,154,857		-		\$ (119,694)	\$ (119,694)
Total Business-Type Activities	4,274,551	4,154,857		-		(119,694)	(119,694)
Total Primary Government	<u>\$ 21,226,739</u>	<u>\$ 6,022,711</u>	<u>\$ 6,390,273</u>	<u>\$ -</u>		(119,694)	(15,166,560)
General Revenues							
Taxes							
General Property Taxes, Real and Personal					5,508,298	-	5,508,298
Other Local Taxes					9,189,585	-	9,189,585
Grants and Contributions not Restricted to Specific Programs					600,058	33,204	600,058
COVID Recovery Funds					1,314,213		1,314,213
Use of Property					167,034	-	167,034
Investment Earnings					5,945	25,768	31,713
Miscellaneous					64,631	28,448	93,079
Transfers & Adjustments					-	(2,427,965)	(2,427,965)
Total General Revenues and Transfers					<u>16,849,764</u>	<u>(2,340,545)</u>	<u>14,476,015</u>
Change in Net Position					1,802,898	(32,274)	1,770,624
Net Position -Beginning of Year					<u>21,301,467</u>	<u>4,078,871</u>	<u>25,380,308</u>
Net Position End of Year					<u>\$ 23,104,365</u>	<u>\$ 1,650,876</u>	<u>\$ 24,755,241</u>

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

City of Emporia, Virginia
Balance Sheet
Governmental Funds
For the Fiscal Years Ended June 30, 2022 and 2021

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:

	General Fund	Emporia Redevelopment and Housing Authority Fund	Emporia Industrial Development Authority	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 12,712,256	\$ 55,691	\$ 209,500	\$ 12,977,447
Property taxes receivable, net	274,502	-	-	274,502
Accounts Receivable	313,486	140	-	313,626
Right of use leased assets	298,015	-	-	298,015
Due from (to) utility fund	1,165,217	-	-	1,165,217
Due from (to) other governments	4,804,068	-	122,938	4,927,006
Other assets-prepaid expenses	40,634	1,310,309	-	1,350,943
Total Assets	<u>\$ 19,608,178</u>	<u>\$ 1,366,140</u>	<u>\$ 332,438</u>	<u>\$ 21,306,756</u>
Liabilities				
Right of use lease obligations	\$ 298,015	\$ -	\$ -	\$ 298,015
Accounts payable & clearing	385,187	-	167,607	552,794
Accrued liabilities	275,669	-	-	275,669
Unearned grants	5,232,351	-	-	5,232,351
Due to utility fund	-	-	-	-
Due to other funds	122,940	-	-	122,940
Total Liabilities	<u>\$ 6,314,162</u>	<u>\$ -</u>	<u>\$ 167,607</u>	<u>\$ 6,481,769</u>
Deferred Inflows of Resources				
Unavailable revenue-deferred Taxes	274,502	-	-	274,502
Total deferred inflows of resources	<u>\$ 274,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,502</u>
Fund Balance				
Restricted for				
Citizens Bank building investment	\$ -	\$ 1,366,140	\$ -	\$ 1,366,140
Assigned	96,438	-	164,831	261,269
Unassigned	1,292,307	-	-	1,292,307
Total Fund Balance	<u>\$ 13,019,514</u>	<u>\$ 1,366,140</u>	<u>\$ 164,831</u>	<u>\$ 14,550,485</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 19,608,178</u>	<u>\$ 1,366,140</u>	<u>332,438</u>	<u>\$ 21,306,756</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, 2022

Total Fund Balances for Governmental Funds		\$ 14,550,485
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Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Land	2,302,871	
Buildings and improvements, net of accumulated depreciation	4,079,964	
Furniture, equipment, and vehicles, net of accumulated depreciation	3,256,037	
Infrastructure, net of accumulated depreciation	<u>5,587,503</u>	
Total Capital Assets	-	15,226,374

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

Unavailable Asset Pension		
Unavailable revenue -property taxes	<u>274,502</u>	
Total Unavailable Assets		274,502

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods, and therefore, are not reported in the funds.

Deferred outflows of resources related to pension	1,228,893	
Deferred inflows of resources related to pension	(3,129,104)	
Deferred outflows of resources related to OPEB	239,914	
Deferred inflows of resources related to OPEB	<u>(219,808)</u>	
Total Deferred Outflows and Inflows of Resources		(1,880,105)

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	(3,733,469)	
Pension Liability	-	
Accrued interest Payable	(275,669)	
OPEB liability	(617,347)	
Compensated absences	<u>(440,406)</u>	
Total		<u>(5,066,891)</u>

Total Net Position Governmental Activities		<u><u>\$ 23,104,365</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

City of Emporia, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2022 and 2021

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

	General Fund	Emporia Redevelopment and Housing Authority Fund	Emporia Industrial Development Authority	Total Governmental Funds
Revenues				
Property Taxes	\$ 5,508,299	\$ -	\$ 19,804	\$ 5,528,103
Other Local Taxes	9,189,585	-		9,189,585
Permits, privilege fees, and regulatory Licenses	24,056	-		24,056
Fines and Forfeitures	785,726	-		785,726
Use of money and property	5,945	13	161,076	167,034
Charges for services	1,058,073			1,058,073
Public Works-Fire & Rescue				-
Electronic Summons Revenue	19,863			19,863
Miscellaneous	180,672	-		180,672
Community Development		-		-
Recovered Costs	237,189			237,189
<i>Intergovernmental</i>				-
Revenue from the Commonwealth of Virginia	4,781,249			4,781,249
Revenue from the Federal Government	1,855,410			1,855,410
				-
Total Revenues	23,646,066	13	180,880	23,826,959
Expenditures				
General government administration	1,967,489	-	-	1,967,489
Judicial Administration	3,233,712	-	-	3,233,712
Public safety	4,599,902	-	-	4,599,902
Public Works	3,027,547	-	-	3,027,547
Health & Welfare	537,978	-	-	537,978
Education	6,173,923	-	-	6,173,923
Parks, recreation, and cultural	431,786	-	-	431,786
Community development	2,325,117	27,588	-	2,352,705
Business Incubation Grants		-	56,715	56,715
Electronic Summons Expenditures	37,161	-	-	37,161
Debt Service/Including Lease Obligation Payments	873,811	-	-	873,811
Property Tax Abatement Incentive		-	179,799	179,799
Total Expenditures	23,208,426	27,588	236,514	23,472,528
Excess (Deficiency) of Revenues Over Expenditures	437,640	(27,575)	(55,634)	354,431
Other Financing Sources (Uses)		-		
Fund Balance Appropriation	(20,000)	-	-	(20,000)
Transfers in		25,000	179,799	204,799
Transfers Out	(204,799)			(204,799)
Capital Lease proceeds	298,015	-	-	298,015
Issuance of Debt	-	-	-	-
Total Other Financing Sources (Uses)	73,216	25,000	179,799	278,015
Net Change in Fund Balance	510,856	(2,575)	124,165	632,446
Fund Balance-Beginning of Year	12,508,658	1,368,720	40,666	13,918,039
Fund Balance-End of Year	\$ 13,019,514	\$ 1,366,145	\$ 164,831	\$ 14,550,485

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
Year Ended June 30, 2022

Net Change in Fund Balances- Total Governmental Funds \$ 632,446

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

Capital Assets	1,659,440	
Depreciation	(1,444,123)	
Net Adjustment		215,317

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		274,502
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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 Issuance Proceeds	(415,487)	
Repayments on debt	895,268	
Net Adjustment		479,781

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 liabilities, deferred outflows and inflows		402,263
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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	14,272	
Net OPEB liability, deferred outflows and inflows	(215,683)	
Net Adjustment		(201,411)

Change in Net Position of Governmental Activities		\$ 1,802,898
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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, 2022

	Business-Type Activities <u>Enterprise Fund</u> Water and Sewer <u>Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,936,328
Receivables, Net	569,067
Cash and cash equivalents, restricted	3,789,356
Total Current Assets	<u>6,294,751</u>
Noncurrent Assets	
Right of Use Assets under Lease, Net	84,678
Land and construction in progress	8,133,488
Capital Assets, Net	23,055,988
Pension Asset	172,652
Total Noncurrent Assets	<u>31,446,806</u>
Deferred Outflows of Resources	
Pension	234,075
OPEB	28,646
Total Deferred Outflows of Resources	<u>262,721</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 38,004,278</u></u>
Liabilities	
Current Liabilities	
Accounts Payable, S.T.Overdrafts and Accrued Liabilities	\$ 332,825
Sweep Account Short term overdrafts	463,727
Accrued Interest Payable	486,029
Customer Deposits	217,697
Compensated absences-current portion	16,044
Notes Payable Capital Leases	128,054
Bonds, Loans and capital leases payable due within one year	892,220
Total Current Liabilities	<u>2,536,596</u>

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, 2022

Noncurrent Liabilities	
Compensated Absences, Net	144,401
Net Pension liability	-
Net OPED liability	71,336
Due to General Fund	1,165,217
Bonds, loans, and capital lease payable, net	31,751,713
Total Noncurrent Liabilities	<u>33,132,667</u>
Total Liabilities	35,669,263
Deferred Inflows of Resources	
Pension	596,020
OPED	88,119
Total Deferred Inflows of Resources	<u>684,139</u>
Net Position	
Net Investment in capital assets	2,335,015
Unrestricted	(684,139)
Total Net Position	<u>1,650,876</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 38,004,278</u></u>

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

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

Noncurrent Liabilities	
Compensated Absences, Net	144,401
Net Pension liability	-
Net OPED liability	71,336
Due to General Fund	1,165,217
Bonds, loans, and capital lease payable, net	31,751,713
Total Noncurrent Liabilities	33,132,667
Total Liabilities	35,669,263
Deferred Inflows of Resources	
Pension	596,020
OPED	88,119
Total Deferred Inflows of Resources	684,139
Net Position	
Net Investment in capital assets	2,335,015
Unrestricted	(684,139)
Total Net Position	1,650,876
Total Liabilities, Deferred Inflows of Resources, and Net Position	38,004,278

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, 2022

	Business-Type Activities <u>Enterprise Fund</u> Water and Sewer Fund
Operating Revenues	
Charges for services, net	\$ 4,154,857
Grant revenue earned	33,204
Miscellaneous	28,448
Total Operating Revenues	<u>4,216,509</u>
Operating Expenses	
Personel services and benefits	1,097,076
Maintenance, supplies, and vehicle	677,858
Professional Services	250,880
Chemicals	139,939
Depreciation	970,710
Other charges	
Total Operating Expenses	<u>3,136,463</u>
Operating Income	1,080,046
Nonoperating Revenue (Expenses)	
Interest Income	25,768
Interest Expense and Issuance costs	<u>(1,138,088)</u>
Total Nonoperating Revenues (Expenses) before Transfers	<u>(1,112,320)</u>
Income (Loss) Before Transfers	(32,274)
Transfers in (Out)	<u>-</u>
Change in Net Position	(32,274)
Total Net Position -Beginning of Year	<u>1,683,150</u>
Total Net Position-End of Year	<u><u>\$ 1,650,876</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, 2022

	Business-Type Activities- <u>Enterprise Fund</u> Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from Customers	\$ 3,936,292
Federal Grant -CARES Act Utility Funding	-
Other Receipts	218,564
Payments to Personnel and Benefits	(1,097,077)
Payments to suppliers	(926,903)
Net Cash Provided by Operating Activities	<u>2,130,876</u>
Cash Flows from Noncapital Financing Activities	
Due to General Fund and transfers to General Fund	1,165,217
Net Cash Provided in Noncapital Financing Activities	<u>1,165,217</u>
Cash Flows from Capital and Related Financing Activities	
Purchases and construction of capital assets	(4,347,898)
Payment on Purchase of capital assets	(1,981,524)
Conversion of Operating leases to Capital /financing leases ROU Obligations	(92,735)
Principal Paid on capital debt	(749,515)
Interest Paid on capital debt	(1,050,456)
	<u>(8,222,128)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	
Cash Flows from Investing Activities	
Interest Income	<u>25,768</u>
Net Cash Provided by Investing Activities	<u>25,768</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(4,900,267)</u>
Cash and Cash Equivalents-Beginning of Year	<u>10,625,951</u>
Cash and Cash Equivalents-End of Year	<u><u>\$ 5,725,684</u></u>

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

Enterprise Fund
Water and Sewer
Fund

Reconciliation of Operating Income to Net	
Cash provided by Operating Activities	
Operating Income	1,080,046
Adjustments to Reconcile Operating Income to Net	
Cash provided by Operating Activities	
Depreciation	970,710
<i>Changes in assets and liabilities</i>	
Receivables, net	288,807
Pension Asset	(172,652)
Deferred Outflows Pension, GLI & Milliman	66,161
Accounts Payable and accrued expenses	506,575
Accrued Interest Payable	360,968
Bank S.T. Overdrafts	591,719
Notes Payable Capital Lease	128,053
Compensated absences	(4,020)
Customer deposits	1,966
Unearned grant	(33,204)
Deferred Inflows Pension	588,124
Deferred Inflows GLI	83,796
Deferred Inflows Miliman	(652)
Pension Liability & GLI	(678,427)
Deferred Outflows-OPEB	(18,544)
Net Position Adjustment	(1,628,550)
Net Cash Provided by Operating Activities	<u>\$ 2,130,876</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, 2022

1 Summary of Significant Accounting Policies and Use of Estimates

Narrative Profile

The City of Emporia, Virginia (the “City”) has a population of approximately 5,630 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 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 \$5,209,200 and final expenditures after adjustments were \$6,173,923 during fiscal year 2022.

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 \$309,032 during fiscal year 2022 to the Department and final adjusted expenditures for the year were \$249,939.

Southside Regional Jail Authority

The Southside Regional Jail Authority was created by the participating localities of the City of Emporia, Virginia and the County of Greensville, Virginia in May 1995. The jail is considered a jointly governed organization of the localities with each locality represented on the Board of the Authority. The City appropriated \$1,060,976 during fiscal year 2022 to the Authority for services rendered and final expenditures for the year were \$1,056,492.

1-B. Financial Reporting Model

The City's Annual Comprehensive 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 Fund 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 Custodial 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. Custodial 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. Custodial Funds consist of the following:
 - a. Private Purpose Trust Funds – The City has no Private Purpose Trust Funds at this time.
 - b. Custodial Funds – The City has no Custodial 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>\$ 274,502</u>
Water and Sewer Fund - accounts receivables	<u>\$ 570,084</u>

Real and Personal Property Tax Data

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

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

The City bills and collects its own property taxes.

An interest charge of 10% 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 activity column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

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

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

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

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

1-E-6 Deferred Outflows/Inflows of Resources

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

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

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

1-E-7 Compensated Absences

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

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

1-E-8 Pensions

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

the benefit terms. Investments are reported at fair value.

1-E-9 Group Life Insurance Program

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

For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's fiduciary net 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

The City adopted the following GASB statements during the year ended June 30, 2022:

GASB Statement No.87, *Leases*, This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement apply to financial statements of all state and local governments. The new standards require that a contract that transfers ownership of the underlying asset to the lessee by the end of the contract, and does not contain a termination option should be reported as a financed purchase of the underlying asset by the lessee. At the commencement of the lease term, a lessee should recognize a lease liability and an intangible right-to-use lease asset.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this statement are effective for the fiscal year ending June 30, 2022 for the City.

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 include 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, 2022

A budget was not legally adopted for the IDA Fund or Emporia Redevelopment and Housing Authority Fund; 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, 2022</u>		
Petty cash		\$1,100	
Deposit accounts		18,702,030	
Total Cash and Cash Equivalents		<u>\$18,703,130</u>	

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	<u>\$12,977,446</u>	<u>\$5,725,684</u>	<u>\$18,703,130</u>

4 Receivables

Receivables at June 30, 2022 consist of the following:

	Governmental Activities	Business Type Activities
Property taxes	\$ 365,655	\$ -
Meals and lodging taxes	317,024	-
Other	140	-
Water and sewer	-	891,554
Total	682,819	891,554
Allowance for uncollectibles	(74,290)	(322,487)
Net Receivables	<u>\$ 608,529</u>	<u>\$ 569,067</u>

5 Interfund Transfers

Interfund transfers as of June 30, 2022, are as follows:

	Transfer to	Transfer from
Primary Government		
General Fund		
To Redevelopment and Housing Fund for operations	\$ 25,000	\$ -
To Industrial Development Fund for tax incentive and grant	179,799	-
	-	-
Total General Fund	204,799	-
Redevelopment and Housing Fund		
From General Fund for operations	-	25,000
Industrial Development Authority		
From General Fund for tax incentive and grant	-	179,799
To General Fund for rent		-
Total Governmental Funds	204,799	204,799
Total Transfers Within Primary Governmental	<u>\$ 204,799</u>	<u>\$ 204,799</u>

6 *Due from Other Governmental Units*

Details of the City's receivables from other governmental units, as of June 30, 2022, are as follows:

County of Greenville, Virginia

School Board - Education	\$ 1,003,962
Total County of Greenville, Virginia	<u>1,003,962</u>

Commonwealth of Virginia

Personal Property Tax Relief Act (PPTRA)	145,728
Local Sales Tax	91,600
Communication Sales and Use Taxes	15,572
Education State Sales Tax	238,922
Constitutional Officers	625,739
Wireless 911 Grant	<u>9,264</u>

Total Commonwealth of Virginia	<u>1,126,825</u>
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7 *Due to Other Governmental Units*

Details of the City's payables to other governmental units, as of June 30, 2022, are as follows:

	General
Social Services Operations - Greenville County, Virginia	<u>\$ 32,820</u>

8 Capital Assets

The following is a summary of changes in capital assets:

	Balance July 1, 2021	Increases	Decreases	Balance July 1, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 2,302,871	\$ -	\$ -	\$ 2,302,871
Construction In Progress	3,796,294	4,233,723	-	8,030,017
Total Capital Assets Not Being Depreciated	6,099,165	4,233,723	-	10,332,888
Other Capital Assets				
Buildings and Systems	35,780,724	-	-	35,780,724
Furniture, Equipment, and Vehicles	1,528,871	29,613	-	1,558,484
Total Other Capital Assets	37,309,595	29,613	-	37,339,208
Less: Accumulated Depreciation for				
Buildings and Systems	11,958,039	919,383	-	12,877,422
Furniture, Equipment, and Vehicles	1,372,075	33,606	-	1,405,681
Total Accumulated Depreciation	13,330,114	952,989	-	14,283,103
Other Capital Assets, Net	23,979,481	(923,377)	-	23,056,104
Net Capital Assets	\$ 30,078,646	\$ 3,310,346	\$ -	\$ 33,388,992
Depreciation Expense was Allocated to				
General Government Administration	\$ 330,153			
Public Safety	342,424			
Public Works	586,471			
Health and Welfare	1,511			
Community Development	35,495			
Total	\$ 1,296,054			
Business-Type Activities				
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 103,471	\$ -	\$ -	\$ 103,471
Construction in Progress	3,796,294	4,233,723	-	8,030,017
Total Capital Assets Not Being Depreciated	3,899,765	4,233,723	-	8,133,488
Other Capital Assets				
Buildings and Systems	35,780,724	-	-	35,780,724
Furniture, Equipment, and Vehicles	1,528,871	29,613	-	1,558,484
Total Other Capital Assets	37,309,595	29,613	-	37,339,208
Less: Accumulated Depreciation for				
Buildings and Systems	11,958,039	919,383	-	12,877,422
Furniture, Equipment, and Vehicles	1,372,075	33,606	-	1,405,681
Total Accumulated Depreciation	13,330,114	952,989	-	14,283,103
Other Capital Assets, Net	23,979,481	(923,377)	-	23,056,104
Net Capital Assets	27,879,246	\$ 3,310,346	\$ -	\$ 31,189,592

9 *Compensated Absences*

In accordance with National Council on Governmental Accounting Standards Statement 4 “Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences,” the City has accrued the liability arising from outstanding claims, judgments, and compensated absences. All regular, full-time employees hired January 1, 2014, and after, excluding police officers hired prior to 2015, shall be covered under the provisions of a general leave policy of paid time off (PTO) in lieu of accruing sick and annual leave. Each City employee earns PTO based on years of service as follows:

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

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

Years of Services	Maximum Payment
Under 5 years	36 days
5-9 years	42 days
10-14 years	48 days
15-19 years	54 days
20-24 years	60 days
25 years or more	68 days

The City has outstanding compensated absences totaling \$440,406 in the governmental activities. The balance in the business -type activities is \$160,445.

10 *Long-Term Debt*

PRIMARY GOVERNMENT

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

	Governmental Activities		Business Type Activities	
Year Ended June 30,	Principal	Interest	Principal	Interest
2023	\$ 488,758	\$ 96,400	\$ 6,963,974	\$ 652,295
2024	483,280	90,634	1,061,617	621,128
2025	444,827	84,666	929,869	585,475
2026	449,202	78,419	1,146,792	545,230
2027	424,011	86,485	1,187,245	504,613
2028-2032	1,689,487	298,976	6,674,250	463,684
2033-2037	1,168,157	56,460	5,916,113	910,166
2038-2042	-	-	5,469,140	502,598
2043-2047	-	-	1,649,428	201,743
2048-2052	-	-	442,569	23,218
Total	<u>\$ 5,147,722</u>	<u>\$ 792,040</u>	<u>\$ 31,440,997</u>	<u>\$ 5,010,150</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:

Primary Government Governmental Activities	Balance July 1, 2021	Increase	Decrease	Balance June 30, 2022	Due Within One Year
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.	\$ 5,150	\$ -	\$ 5,150	\$ -	\$ -
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)	1,533,373	-	76,578	1,456,795	79,641
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%.	22,138	-	22,138	-	-
Lease with BB&T dated November 17, 2015, for the re-chassis of a firetruck. Payments of \$1,926.38 of principal and interest at 2.17%. Interest payments are made over 84 months, due monthly on the 17th.	32,222	-	22,643	9,579	9,579
Lease with Carter Bank & Trust dated January 30, 2018, payable over 7 years at 2.5% interest.	18,294	-	5,370	12,924	5,073
Lease with Carter Bank & Trust dated March 2, 2016, for an animal control vehicle and dump truck with 84 payments of \$1,466 at 1.75%.	29,570	-	17,204	12,366	12,366
Lease with BB&T for \$154,000 dated September 6, 2016, for police vehicles with payments of \$4,480.06 at 2.98% over 3 years.	13,373	-	13,373	-	-
Lease with Bci Capital, Inc. for \$468,000 payable over 7 years. Monthly payments of \$5,926 at 1.77% interest.	425,730	-	69,483	356,247	70,723
Lease with Bci Capital Inc. for \$185,000 payable over 5 years. Monthly payments of \$3,223 at 1.77% interest.	161,210	-	36,126	125,084	36,771
Lease/note payable with Bci Capital for \$137,200 payable over 36 months. Monthly payments of \$3,867.49 at 1.01% interest.	-	137,200	30,321	106,879	45,994
Lease/note payable with Bci Capital for \$277,752 payable over 60 months. Monthly payments of \$4,770.49 at 1.23% interest.	-	277,752	36,302	241,450	55,129
Lease with BB&T for \$64,418 dated September 6, 2018, for a tractor/mower with payments of \$860.49 at 3.32% over 6 years.	40,877	-	9,132	31,745	8,641
Note payable with Benchmark Community Bank for police vehicles dated October 30, 2019, with payments of \$5,601 at 1.8% over 3 years.	93,949	-	70,499	23,450	22,315

Primary Government Governmental Activities	Balance July 1, 2021	Increase	Decrease	Balance June 30, 2022	Due Within One Year
General Obligation Bond Series 2020B with Zion Bank dated December 2020; interest rates vary from .65% to 2.25% payable semi-annually on August 1 and February 1; principal payments begin on August 1, 2021, and matures in 20 years in August 2032.	1,240,000	-	20,000	1,220,000	105,000
Note payable with Benchmark Community Bank for police vehicles dated October 30, 2019, with payments of \$4,266 at 1.99% over 7 years.	-	-	46,443	216,203	47,377
General Obligation Bond Series 2015A with Carter Bank & Trust for \$1,800,000 dated August 13, 2015, at 2.95% commencing March 1, 2016, and terminating September 1, 2034.	1,288,957	46,043	-	1,335,000	85,000
Subtotal	5,167,489	460,995	480,762	5,147,722	583,609
Compensated Absences	454,678	-	(14,272)	440,406	44,040
Total Governmental Activities	5,622,167	460,955	466,490	5,588,128	627,649
Business-Type Activities					
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.	16,121	-	7,054	9,067	6,960
Lease with Bci Capital for \$38,018 payable over 60 months with 0%.	-	38,018	5,069	32,949	7,604
Lease with Bci Capital for 39 months with an interest rate of 1.78% monthly payments of principal and interest of \$588.22.	-	23,218	20,058	3,160	3,160
Lease with Bci Capital for 60 months with an interest rate of 1.19% and monthly payments of principal and interest of \$541.02.	-	31,499	4,092	27,407	6,200
Finance lease of \$29,618 payable over 60 months with an interest rate of 1.18% with principal and interest payment of \$508.62.	-	29,618	3,849	25,769	5,830
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.	1,304,100	-	76,000	1,128,000	78,000
General Obligation Bond Series 2020A with Zion Bank dated December 2020; interest rates vary from 3% to 5% payable semi-annually on August 1 and February 1; principal payments begin on August 1, 2021, and matures in 20 years in August 2040.	6,750,000	-	105,000	6,645,000	270,000
\$6 million General Obligation Bond Anticipation Note, Series 2020 (BAN); interest rate of 1.33% payable semi-annually June 1 and December 1; final principal is due at final maturity on December 1, 2022.	6,000,000	-	-	6,000,000	6,000,000
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.	3,393,918	-	167,496	3,224,422	176,276
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.	7,776,120	122,353	169,263	7,606,852	173,327

Primary Government Governmental Activities	Balance July 1, 2021	Increase	Decrease	Balance June 30, 2022	Due Within One Year
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.	1,590,791	-	37,705	1,555,617	38,466
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.	5,390,000	-	211,000	5,179,000	219,000
Subtotal	32,220,950	122,353	806,586	31,543,448	6,988,674
Bond Premium on Series 2020 bonds	1,216,314	-	-	1,216,314	60,816
Total Bonds and Premium	33,437,264	122,353	806,586	32,759,762	7,049,490
Compensated Absences	164,465	-	(4,623)	159,842	15,984
Total Business-Type Activities	33,601,729	122,353	801,963	32,919,604	7,065,474
Total Primary Government	<u>\$ 39,223,896</u>	<u>\$ 583,348</u>	<u>\$ 1,268,453</u>	<u>\$ 38,507,732</u>	<u>\$ 7,693,123</u>

General Obligation Refunding Bonds – December 2020

In December 2020, the City issued \$1,240,000 of general obligation refunding bonds with a true interest cost of 1.87% and an original issue premium of \$-0-. The bonds were issued to complete an advance refunding of the 2012B general obligation bonds and fund related cost of issuance and will be used to upgrade general fund public utilities. As a result, the 2012B series bonds is considered defeased, and the related liability for the bonds has been removed from the City's liabilities. This refunding was undertaken to reduce total debt service payments over the next 12 years by \$123,496 and resulted in an economic gain of \$109,443.

General Obligation Refunding Bonds – December 2020

In December 2020, the City issued \$6,750,000 of general obligation refunding bonds with a true interest cost of 1.23% and an original issue premium of \$1,216,314. The bonds were issued to complete an advance refunding of the 2014 general obligation refunding bonds and fund related cost of issuance and for water and sewer infrastructure improvements. As a result, the 2014 series bond is considered defeased, and the related liability for the bonds has been removed from the City's liabilities. This refunding was undertaken to reduce total debt service payments over the next 20 years by \$315,692 and resulted in an economic gain of \$306,221.

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, 2022, is determined as follows:

	Governmental Activities	Business- Type Activities
<i>Net Investment in Capital Assets</i>		
Cost of Capital Assets	\$43,297,662	\$45,574,979
Less: Accumulated Depreciation	(28,271,288)	(14,300,824)
Book Value	15,026,374	31,274,155
Less: Capital Related Debt	(4,949,358)	(32,728,496)
Add: Restricted Cash From Bond Proceeds	-	3,789,356
Net Investment in Capital Assets	<u>\$10,077,016</u>	<u>\$2,335,015</u>

12 *Deferred Inflows of Resources*

Deferred inflows of resources are comprised of the following:

Primary Government - General Fund

Delinquent taxes not collected within 60 days	<u>\$ 274,502</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, 2022:

Karen Taylor, 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, 2022, 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. At June 30, 2022, there were several matters of dispute and potential litigation involving the City and another local jurisdiction. The first involves billings from the Greenville County Sheriff's office. Litigation in this matter has resulted in a judgment for the County Sheriff in the amount of \$ 676,914. The City will contest (appeal) this decision. The second involves the Greenville County School System. Emporia shares the provision of educational services with the Greenville County School System. The amount of shared services cost is in dispute. On the second matter, the City does anticipate additional costs associated with Greenville County School System. However, the City and the County have continued discussions and negotiations toward resolution. Additionally, the County continues to owe the City for shared costs for prior year services as determined by independent audit of the Greenville County School System.

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 publicly owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	\$	361,319,500
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$	36,131,950
<i>Amount of Debt Applicable to Debt Limit</i>		
Gross debt		7,065,836
Legal Debt Margin - June 30, 2022	\$	29,066,114

Note: Includes all long-term general obligation bonded debt and United States Department of Agriculture Note as disclosed in Note 10. Excludes capital leases and compensated absences.

17 Fund Balances – Governmental Funds

As of June 30, 2022, fund balances are composed of the following:

	Primary Government			
	Emporia General Fund	Emporia Redevelopment and Housing Authority Fund	Emporia Industrial Development Authority Fund	Total Governmental Funds
Restricted for				
Citizens Bank building investment	\$ -	\$ 1,366,145	\$ -	\$ 1,366,145
Total Restricted Balances	-	1,366,145	-	1,366,145
Assigned	96,438	-	164,831	261,269
Unassigned	12,906,696	-	-	12,906,696
Total Fund Balances	\$ 1,319,514	\$ 1,366,145	\$ 164,831	\$ 145,550,490

18 *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, 2022.

<u>Type of 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%	\$ 179,799

19 *Subsequent Events*

Management has performed an analysis of the activities and transactions subsequent to June 30, 2022, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2022. Management has performed their analysis through December 15, 2023.

20 *Pension Plan*

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 Retirement Plan and the additions to/deductions from the Political Subdivision Retirement Plan's fiduciary net 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.

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	PLAN 2	HYBRID RETIREMENT PLAN
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.	About Plan 2 Same as Plan 1.	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.

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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. <i>Hybrid Opt-In Election</i> 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.	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. <i>Hybrid Opt-In Election</i> 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.	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 <i>*Non-Eligible Members</i> 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.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pretax 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.	Retirement Contributions Same as Plan 1.	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.

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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 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.	Service Credit Same as Plan 1.	Service Credit <i>Defined Benefit Component:</i> 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. <i>Defined Contributions Component:</i> Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.	Vesting Same as Plan 1.	Vesting <i>Defined Benefit Component:</i> 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. <i>Defined Contributions Component:</i> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distributions not required, except as governed by law.

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <i>Defined Benefit Component:</i> See definition under Plan 1. <i>Defined Contribution Component:</i> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of the 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier <i>VRS:</i> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier <i>VRS:</i> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier <i>Defined Benefit Component:</i> <i>VRS:</i> The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <i>Defined Contribution Component:</i> Not applicable.
Normal Retirement Age <i>VRS:</i> Age 65. Political subdivision hazardous duty employees: Age 60.	Normal Retirement Age <i>VRS:</i> Normal Social Security retirement age. Political subdivision hazardous duty employees: Same as Plan 1.	Normal Retirement Age <i>Defined Benefit Component:</i> <i>VRS:</i> Same as Plan 2. Political subdivision hazardous duty employees: Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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. <i>Political subdivision hazardous duty employees:</i> Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.	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 equals 90. <i>Political subdivision hazardous duty employees:</i> Same as Plan 1.	Earliest Unreduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Normal Social Security retirement age and have at least five years (60 months) of service credit or when their age plus service credit equals 90. <i>Political subdivision hazardous duty employees:</i> Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
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. <i>Political subdivision hazardous duty employees:</i> Age 50 with at least five years of service credit.	Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of service credit. <i>Political subdivision hazardous duty employees:</i> Same as Plan 1.	Earliest Reduced Retirement Eligibility <i>Defined Benefit Component:</i> VRS: Age 60 with at least five years (60 months) of service credit. <i>Political subdivision hazardous duty employees:</i> Not applicable. <i>Defined Contribution Component:</i> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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%. <i>Eligibility:</i> 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.	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%. <i>Eligibility:</i> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement <i>Defined Benefit Component:</i> Same as Plan 2. <i>Defined Contribution Component:</i> Not applicable. <i>Eligibility:</i> Same as Plan 1 and Plan 2.
<i>Exceptions to COLA Effective Dates:</i> 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.	<i>Exceptions to COLA Effective Dates:</i> Same as Plan 1.	<i>Exceptions to COLA Effective Dates:</i> Same as Plan 1 and Plan 2.

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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.	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.	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 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 toward 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.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <i>Defined Benefit Component:</i> Same as Plan 1, with the following exception: Hybrid Retirement Plan members are ineligible for ported service. <i>Defined Contribution Component:</i> Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2020 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	86
Inactive members:	11
Vested inactive members	
Non-vested inactive members	29
LTD	0
Inactive members active elsewhere in VRS	<u>44</u>
Total inactive members	84
Active members	<u>106</u>
Total covered employees	<u>276</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 less than the certified rate: The City of Emporia, Virginia's contractually required contribution rate for the year ended June 30, 2022, was 12.05% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. The actuarial rate for the City of Emporia, Virginia's plan was 12.05%.

If the employer used the certified rate: The City of Emporia, Virginia's contractually required contribution rate for the year ended June 30, 2022, was 12.05% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019.

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 \$648,606 and \$617,679 for the years ended June 30, 2022, and June 30, 2021, 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 than employer's fiduciary net position. For City of Emporia, Virginia, the NPL was measured as of June 30, 2021. The total pension liability used to calculate the NPL was determined by an actuarial valuation performed as of June 30, 2020, rolled forward to the measurement date of June 30, 2021.

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, 2020, 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, 2021.

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

Mortality rates:

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2019, 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, 2020.

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*

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

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally with a Modified MP-2020 Improvement Scale; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally with a Modified MP-2020 Improvement Scale; 110% of rates for males and females set forward 2 years.

Mortality Improvement:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, 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 PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70.
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.00%	1.70%
Fixed Income	15.00%	0.57%	0.09%
Credit Strategies	14.00%	4.49%	0.63%
Real Assets	14.00%	4.76%	0.67%
Private Equity	14.00%	9.94%	1.39%
MAPS - Multi -Asset Public Strategies	6.00%	3.29%	0.20%
PIP- Private Investment Partnership	3.00%	6.84%	0.21%
Total	100.00%		4.89%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.39%

*The above allocation provides a one-year expected return of 7.39%. 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. These results provide a range of returns over various time periods that ultimately provide a median return of 6.94%, including expected inflation of 2.50%.

*On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.

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, 2021, 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, 2021, 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 currently active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

		<u>Increase (Decrease)</u>	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2020	\$ 29,563,245	\$ 26,040,322	\$ 3,522,923
Changes for the Year:			
Service cost	643,025.00	-	643,025.00
Interest	1,938,687.00	-	1,938,687.00
Changes of benefit terms	-	-	-
Changes of assumptions	1,013,861.00	-	1,013,861.00
Differences between expected and actual experience	(322,941.00)	-	(322,941.00)
Contributions – employer	-		(595,482.00)
Contributions – employee	-		(244,301.00)
Net investment income	-	7,052,088.00	(7,052,088.00)
Benefit payments, including refunds of employee contributions	(1,683,902.00)	(1,683,902.00)	-
Administrative expense	-	(17,904.00)	17,904.00
Other changes	-	661.00	(661.00)
Net Changes	<u>1,588,730</u>	<u>6,190,726</u>	<u>(4,601,996)</u>
Balances at June 30, 2021	<u>\$ 31,151,975</u>	<u>\$ 32,231,048</u>	<u>\$ (1,079,073)</u>

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of the City of Emporia, Virginia using the discount rate of 6.75%, as well as what the City of Emporia, Virginia's NPL 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	\$ 2,810,765	\$ (1,079,073)	\$ (4,311,452)

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

For the year ended June 30, 2022, the City of Emporia, Virginia recognized pension expense of \$1,036,099. At June 30, 2022, the City of Emporia, Virginia reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,193	\$ 222,837
Change in assumptions	730,169	-
Net difference between projected and actual earnings on pension plan investments	-	3,502,287
Employer contributions subsequent to the measurement date	648,606	-
Total	<u>\$ 1,462,968</u>	<u>\$ 3,725,124</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Pension Plan Data

Year Ended June 30	
2023	\$ (458,552)
2024	(572,388)
2025	(815,133)
2026	(1,064,689)
2027	-
Thereafter	-

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2021 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2021 VRS Annual Report may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2021-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

21 *Other Post-Employment Benefits - Group Life Insurance Program*

Plan Description

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

Plan Description

All full-time, salaried permanent employees of state agencies, teachers and 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 on the following page in the following table:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
Eligible Employees The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City Schools Board Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.
Benefit Amounts The benefits payable under the Group Life Insurance Program have several components. • <i>Natural Death Benefit:</i> The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. • <i>Accidental Death Benefit:</i> The accidental death benefit is double the natural death benefit. • <i>Other Benefit Provisions:</i> In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: - Accidental dismemberment benefit - Safety belt benefit - Repatriation benefit - Felonious assault benefit - Accelerated death benefit option
Reduction in Benefit Amounts The benefit amounts provided to retired members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
Minimum Benefit Amount and Cost-of-Living Adjustment (COLA) For covered members with at least 30 years of service credit, 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 is \$8,984 as of June 30, 2022.

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 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% 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, 2022, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2019. 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.

In June 2022, the Commonwealth made a special contribution of approximately \$30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

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, 2022, the entity reported a liability of \$401,855 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2021 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, 2020, and rolled forward to the measurement date of June 30, 2021. 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, 2021 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2021, the participating employer's proportion was .54% as compared to .52% at June 30, 2020.

For the year ended June 30, 2022, the participating employer recognized GLI OPEB expense of \$16,358. 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, 2022, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,972	\$ 2,203
Net difference between projected and actual earnings on pension plan investments	68,999	-
Change in assumptions	15,937	39,553
Change in proportionate share	19,990	12,084
Employer contributions subsequent to the measurement date	<u>27,758</u>	<u>-</u>
Total	<u>\$ 165,656</u>	<u>\$ 53,840</u>

\$27,758 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, 2022. 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	
2023	\$ 12,691
2024	14,073
2025	11,183
2026	555
2027	-
Thereafter	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method. The following assumptions, which applied to all periods included in the measurement, were used to roll the valuation forward to the measurement date of June 30, 2022.

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%
Val ORS employees	3.50% - 4.75%
JRS employees	4.00%
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

Mortality rates – General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

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, 2020, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$3,523,937
Plan Fiduciary Net Position	1,855,102
GLI Net OPEB Liability (Asset)	1,668,835
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	52.64%

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:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	4.65%	1.58%
Fixed Income	15.00%	0.46%	0.07%
Credit Strategies	14.00%	5.38%	0.75%
Real Assets	14.00%	5.01%	0.70%
Private Equity	14.00%	8.34%	1.17%
MAPS - Multi -Asset Public Strategies	6.00%	3.04%	0.18%
PIP- Private Investment Partnership	3.00%	6.49%	0.19%
Total	100.00%		4.64%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.14%

* The above allocation provides a one-year return of 7.14%. 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%. On October 10, 2019, 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. More recent capital market assumptions compiled for the FY2020 actuarial valuations, provide a median return of 6.81%.

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, 2020, 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, 2020 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 3.54%, 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 (2.54%) or one percentage point higher (4.54%) than the current rate:

	1.00% Decrease (2.54%)	Current Discount Rate (3.54%)	1.00% Increase (4.54%)
State Agency's Proportionate Share of the Group Life Insurance Plan Net OPEB Liability	\$ 486,891	\$ 445,848	\$ 408,117

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2020 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2020 VRS Annual Report may be downloaded from the VRS website at varetire.org/Pdf/Publications/2021-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

22 Aggregate OPEB Information

	Primary Government			
VRS OPEB Plans	Deferred Outflows	Deferred Inflows	Net OEPB Liability (Asset)	OEPB Expense
<i>Group Life Insurance</i>	\$ 97,965	\$ 122,839	\$ 289,089	\$ 16,358
Primary Government Retiree Health Insurance				
Primary Government	81,078	(138,834)	445,848	42,987
Totals	<u>\$ 179,043</u>	<u>\$ (15,995)</u>	<u>\$ 734,937</u>	<u>\$ 59,345</u>

23 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 as of which the actuarial valuation is performed. The measurement date is June 30, 2022. This is the date as of which the total OPEB liability is determined. The reporting date is June 30, 2022. 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, 2020

	<u>Number</u>
Actives	102
Retirees	3
Beneficiaries	0
Spouses of Retirees	0
Total Covered Employees	<u><u>102</u></u>

Changes in Total OPEB Liability

	<u>Increase (Decrease)</u> <u>Total OPEB Liability</u>
Balances at June 30, 2021	\$ 561,751
Changes for the Year:	
Service cost	32,552
Interest on total OPEB liability	12,814
Effect of plan changes	-
Effect of economic/demographic gains or losses	(160,910)
Effect of assumptions changes or inputs	1,743
Benefit Payments	<u>(2,102)</u>
Balances at June 30, 2022	<u><u>\$ 445,848</u></u>

Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.16%, 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 (1.16%) or one percentage point higher (3.16%) than the current rate.

	1.00% Decrease (2.54%)	Current Discount Rate (3.54%)	1.00% Increase (4.54%)
Total OPEB Liability	\$ 486,591	\$ 445,848	\$ 408,117

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 Discount Rate	1.00% Increase
Total OPEB Liability	\$ 390,383	\$ 445,848	\$ 510,855

As of June 30, 2022, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,219	\$ (136,894)
Change in assumptions	16,859	(1,940)
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ 81,078</u>	<u>\$ (138,834)</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	
2023	\$ (2,435)
2024	(2,892)
2025	(2,892)
2026	(9,150)
2027	(23,756)
Thereafter	(16,631)

Total OPEB Liability

		June 30, 2021		June 30, 2022
Total OPEB Liability	\$	561,751	\$	445,848
Covered Payroll		4,876,404		5,043,851
Total OPEB Liability as a % of Covered Payroll		11.52%		8.84%

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 74 and GASB 75.

Discount Rate

	2021	2022
Discount Rate	2.16%	3.54%
20 Year Tax-Exempt Municipal Bond Yield	2.16%	3.54%

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, 2022, were based on the results of an actuarial experience study for the Virginia Retirement System covering the period from July 1, 2016, to June 30, 2020. The demographic assumptions recommended as a result of this study were adopted by the VRS Board of Trustees on July 1, 2019.

Valuation Date	July 1, 2019	July 1, 2021
Measurement Date	June 30, 2021	June 30, 2022
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Inflation	2.50%	2.50%
Medical Trend Rate	Please see June 30, 2020 GASB 75 report	Please see July 1, 2021 valuation report
Salary Increases, including inflation	Graded Scale	Graded Scale

III. REQUIRED SUPPLEMENTARY INFORMATION



City of Emporia, Virginia
Budgetary Comparison Schedule
June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Real Property taxes	\$ 3,426,222	\$ 3,426,222	\$ 3,384,702	\$ (41,520)
Personal Property taxes	1,100,000	1,100,000	1,495,303	395,303
Public Service corporation property taxes	221,589	221,589	-	(221,589)
Machinery & Tools Taxes	468,009	468,009	456,117	(11,892)
Delinquent taxes	180,000	180,000	89,516	(90,484)
Penalties and interest on taxes	61,000	61,000	82,660	21,660
Total General Property Taxes	5,456,820	5,456,820	5,508,298	51,478
Other Local Taxes				
Local sales and use taxes & State Sales taxes	1,700,000	1,700,000	3,252,054	1,552,054
Consumers Utility taxes	397,000	397,000	358,545	(38,455)
Business License taxes	790,000	790,000	951,036	161,036
Franchise Tax	39,000	39,000	-	(39,000)
Motor vehicle licenses	117,270	117,270	116,080	(1,190)
Bank & Railroad stock taxes	185,000	185,000	217,710	32,710
Tax on recordation and wills	29,500	29,500	56,155	26,655
Lodging taxes	1,350,000	1,350,000	1,531,387	181,387
Meals taxes	2,000,000	2,000,000	2,310,414	310,414
Communications Sales & Use Taxes	210,600	210,600	389,149	178,549
Gaming Revenue Tax	-	-	7,056	7,056
Total Other Local Taxes	6,818,370	6,818,370	9,189,585	2,371,215
Permits, Privilege Fees, and Regulatory Licenses				
Animal Licenses	2,200	2,200	1,460	(740)
Planning and zoning	1,750	1,750	1,150	(600)
Building permits	12,000	12,000	21,431	9,431
Other Permits	350	350	10	(340)
Yard Sale Permits	-	-	5	5
Permits & Other Licenses	14,100	-	-	-
Total Permits,Privilege Fees, and Regulatory Licenses	16,300	16,300	24,056	7,756
Fines and Foreitures				
Court Fines & Forfeitures	1,200,000	1,200,000	646,486	(553,514)
Drug forfeiture Money	10,000	22,947	(3,729)	(26,676)
Interest from the County	7,000	7,000	3,238	(3,762)
Courthouse Maintenance Fees	23,000	23,000	13,775	(9,225)
Courthouse Security Fees	105,000	105,000	125,310	20,310
Jail Admission Fees	1,500	1,500	646	(854)
Electronic Summons System Fees	36,000	-	-	-
Total Fines & Forfeitures	1,382,500	1,359,447	785,725	(573,722)
Revenue from Use of Money and Property				
Interest on bank deposits	-	-	3,662	3,662
Interest on Investments	160,000	160,000	2,283	(157,717)
Total Revenue from Use of Money & Prop.	160,000	160,000	5,945	(154,055)

City of Emporia, Virginia
Budgetary Comparison Schedule
June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Charges for Services				
Law Library	3,000	3,000	1,338	(1,662)
Fire & Rescue Services	-	-	30,000	30,000
Animal Control	-	-	655	655
Sanitation Fees	910,000	910,000	1,015,370	105,370
Weed Cutting	18,000	18,000	10,710	(7,290)
Miscellaneous	5,000	5,000	-	(5,000)
Total Charges for Services	936,000	936,000	1,058,073	122,073
Recovered Costs				
From Greensville County, Virginia				
Children Services Act	2,125	2,125	2,125	-
Court Services	30,958	30,958	9,167	(21,791)
County	58,400	58,400	199,898	141,498
Refunds from Vendors	10,500	10,500	1,678	(8,822)
Recycling	8,300	8,300	15,652	7,352
Economic Development Authority	119,803	119,803	-	(119,803)
Other localities	37,497	37,497	8,668	(28,829)
Extradition of Prisoners	500	500	-	(500)
Total Recovered Costs	268,083	268,083	237,189	(30,894)
Miscellaneous				
Gifts & Donations	-	-	100	100
Sale of Materials & Supplies	2,500	2,500	52,531	50,031
Insurance Refunds	5,000	5,000	12,734	7,734
Miscellaneous	5,000	5,000	62,296	57,296
Tax Collections Adm & Adv. Fees	30,000	30,000	22,789	(7,211)
Capital Credit Refund	-	-	4,752	4,752
Vmlip Risk mgt. Grant	-	-	500	500
Expenditure Refunds	-	-	18,458	18,458
Credit/Debit Card Fees	5,000	5,000	6,510	1,510
BOA P-card Rebate	7,585	7,585	-	(7,585)
Total Miscellaneous	55,085	55,085	180,671	125,586
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Non-Categorical Aid</i>				
Auto rental taxes	18,000	18,000	18,157	157
Moped sales tax	-	-	274	274
Rolling stock taxes-motor vehicle carriers	11,000	11,000	11,307	307
Personal Property Tax Relief	570,319	570,319	570,320	1
Recordation and grantors ' tax	6,480	6,480	-	(6,480)
Total Noncategorical Aid	605,799	605,799	600,058	(5,741)
<i>Categorical Aid</i>				
Shared Expenses				
DCJS Sexual Assault Grant-State	46,479	46,479	89,006	42,527
Sheriff	158,716	158,716	152,143	(6,573)
Emergency Services State	138,606	138,606	80,342	(58,264)
Commissioner of the Revenue	87,258	87,258	82,246	(5,012)
Treasurer	66,085	66,085	65,336	(749)
Registrar/Electoral Board	35,950	35,950	56,997	21,047
Assistance to Localities Operations .Police Dept	220,148	220,148	57,411	(162,737)
CIG program	-	-	2,939	2,939
Va. Juvenile Community Crime Control	109,248	109,248	87,982	(21,266)
VDOT - E. Atlantic St. Sidewalk Project	400,815	400,815	16,786	(384,029)
CANP Grant	-	36,590	-	(36,590)

City of Emporia, Virginia
Budgetary Comparison Schedule
June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
DCJS CORONAVIRUS EMERGENCY	-	15,051	-	(15,051)
DCJS ARPA FUNDS	-	98,000	54,178	(43,822)
CAC ARPA FUNDS	-	30,000	3,686	(26,315)
DSS ARPA	-	24,359	-	(24,359)
E-911 Wireless Board	146,023	146,023	50,658	(95,365)
State sales tax-education	1,137,553	1,137,553	1,671,879	534,326
Virginia Commission of the Arts	4,500	4,500	4,500	-
Victim Witness Grant -State	27,135	27,135	105,530	78,395
Family Violence Prevention Program	127,730	127,730	70,391	(57,339)
VDSS Child Advocacy Services -State	156,943	156,943	258,464	101,521
VDOT- Streets & Highways	1,146,467	1,146,467	1,191,416	44,949
Litter Control	5,000	5,000	7,981	2,981
Tobacco Region Rev. Comm. Grant	-	-	71,320	71,320
Total Categorical Aid	4,014,656	4,218,656	4,181,191	(37,465)
Total Revenue from the Commonwealth of Virginia	4,620,455	4,824,455	4,781,249	(43,206)
Revenue From The Federal Government				
DCJS Sexual Asslt. Grant -Fed	263,380	263,380	459,213	195,833
DCJS Special Sexual Asslt. Grant Federal	-	-	9,145	9,145
Victim Witness Grant -Federal	81,404	81,404	-	(81,404)
Assistance to Localities Oper. PD	-	36,590	-	(36,590)
Federal Categorical Aid	146,023	146,023	-	(146,023)
CSLFRF NEU (COVID RECOV. FUNDS -REVENUE)	-	-	1,314,213	1,314,213
Federal Categorical Aid				-
DCJS Victim Witness Grants	-	2,773,282	-	(2,773,282)
Victim Witness Grant -Federal	227,427	264,017	-	-
Fire program Revenue	21,587	30,000	37,750	7,750
Emergency services Federal	34,000	34,000	35,089	1,089
OEMS GRANT	-	51,828	-	(51,828)
Total Revenue from the Federal Government	773,821	3,680,524	1,855,410	(1,561,097)
Total Intergovernmental Revenues	5,394,276	8,504,979	6,636,660	(1,604,303)
Electronic Summons Revenue				
Electronic summons Fees	-	36,000	19,863	(16,137)
Electronic Summons Revenue	-	36,000	19,863	(16,137)
Total Revenues	21,093,233	24,180,883	23,646,065	309,393

City of Emporia, Virginia
Budgetary Comparison Schedule
June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures				
Current				
<i>General Government Administration</i>				
City Council	255,018	255,752	255,324	428
General Administration	632,017	679,578	665,844	13,734
Legal services	107,500	107,500	132,817	(25,317)
Commissioner of Revenue	317,425	321,785	283,143	38,642
Treasurer	106,185	107,391	150,283	(42,892)
Director of Finance	231,910	232,661	194,408	38,253
Data Processing	162,044	162,044	141,355	20,689
Board of Elections/Registrar	146,795	148,528	144,315	4,214
Total General Government Administration	1,958,894	2,015,239	1,967,489	47,750
<i>Judicial Administration</i>				
Circuit Court-shared services	1,748,227	1,933,909	1,794,977	138,932
Juvenile and Domestic Relations Court & Magistrate	141,539	145,148	143,752	1,397
Sheriff's Department	320,851	336,511	308,318	28,193
Law Library	3,501	3,501	1,332	2,169
Victim Witness	187,217	187,217	192,861	(5,644)
VDSS Child Advocacy Services	134,259	134,259	117,598	16,661
Family violence/sexual assault grant	321,862	321,862	327,080	(5,218)
Sexual assault-victim witness	104,673	104,673	113,187	(8,514)
Victim Witness	111,984	111,984	109,611	2,373
VJCCC Grant	98,000	98,000	80,371	17,629
DCJS APRA	30,000	30,000	4,515	25,485
DCJS APRA	-	36,590	18,270	18,320
DCJS APRA	-	24,359	21,840	2,519
Total Judicial Administration	3,202,113	3,468,014	3,233,712	234,302
<i>Public Safety</i>				-
Police Department	4,032,750	4,211,590	3,919,047	292,543
Volunteer Fire Department	214,095	167,821	242,786	(74,965)
Ambulance and Rescue Service	16,760	12,659	25,492	(12,833)
Juvenile Court Services Unit	35,340	35,340	29,780	5,560
Building inspections	255,589	188,788	172,877	15,911
Animal control	118,802	114,300	108,240	6,060
Emergency services	108,802	109,133	101,682	7,451
Total Public Safety	4,782,138	4,839,631	4,599,903	239,728
<i>Public Works</i>				-
Maintenance of highways, streets, bridges ,	157,011	160,197	171,238	(11,042)
Sidewalks	1,286,077	1,180,168	1,099,634	80,534
Refuse collection	1,075,050	999,870	852,967	146,902
General buildings and grounds	1,023,193	868,196	903,707	(35,511)
Total Public Works	3,541,331	3,208,430	3,027,547	180,884
<i>Health & Welfare</i>				
Health Department	102,639	102,639	81,699	20,940
Mental Health	49,397	49,397	49,397	-
Welfare & Social Services	309,032	309,032	249,939	59,093
Children's Services Act	156,943	156,943	156,943	-
Total Health & Welfare	618,011	618,011	537,978	80,033

City of Emporia, Virginia
Budgetary Comparison Schedule
June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<i>Education</i>				
Education-Contract Service (shared cost)	3,905,941	4,071,147	4,671,921	(600,774)
Health & Welfare	1,137,553	1,137,553	1,411,942	(274,389)
Sales Tax Education	500	500	500	-
Instructional Support	5,043,994	5,209,200	6,084,363	(875,163)
Community College	53,945	53,945	89,560	(35,615)
Total Education	5,097,939	5,263,145	6,173,923	(910,778)
<i>Parks Recreational & Cultural</i>				-
Ground Maintenance	269,691	273,760	258,367	15,393
Contributions to other entities-EGRA	51,000	51,000	53,500	(2,500)
Regional Library	113,600	113,600	119,919	(6,319)
Total Parks Recreational & Cultural	434,291	438,360	431,786	6,574
<i>Community Development</i>				-
Development Services	499,933	3,853,731	465,607	3,388,125
Planning Commission	6,000	6,000	654	5,346
Economic Development Authority	5,000	30,000	2,874	27,126
Airport	60,000	60,000	64,800	(4,800)
East Atlantic Street Grant	801,630	801,630	72,652	728,978
South Main Street Grant	-	-	30,192	(30,192)
Cooperative extension program	64,421	64,421	48,869	15,552
CSLFRF	-	2,735,491	1,314,212	1,421,279
Non-Departmental Costs	440,877	457,862	325,256	132,606
Total Community Development	1,877,861	8,009,135	2,325,116	5,684,019
Electronic Summons Expense	-	-	37,162	(37,162)
Debt & capital lease service	717,799	850,151	873,811	(23,660)
Total Expenditures	22,230,377	28,710,117	23,208,426	5,538,853
Excess (Deficiency) of revenue over expenditures	(1,137,144)	(4,529,234)	437,639	(5,229,460)
<i>Other Financing Sources (Uses)</i>				
Fund Balance Appropriation	(20,000)	(20,000)	(20,000)	-
Transfers in	-	-	-	-
Transfer out	-	-	(204,799)	(204,799)
Capital lease proceeds	-	-	298,015	298,015
Issuance of debt	-	-	-	-
Contingency	79,800	76,184	-	76,184
Total Other Financing Sources (Uses)	59,800	56,184	73,216	169,400
Net change in fund balance	(1,017,544)	(4,416,866)	510,856	(3,906,010)
From Surplus	1,017,544	4,416,866	-	4,416,866
Net Change in fund balance after surplus	\$ -	\$ -	510,856	\$ (510,856)
Fund balance Beginning of Year			12,307,524	
Fund balance End of Year			\$ 12,818,380	

City of Emporia, Virginia
Budgetary Comparison Schedule
June 30, 2022

Emporia Redevelopment and Housing Authority Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Use of Money and Property	-	-	13	13
Total Revenues	-	-	13	13
Expenditures				
Community Development	-	-	27,588	(27,588)
Excess (Deficiency) of Revenues Over Expenditures	-	-	(27,575)	(27,575)
Other Financing Sources (Uses)				
Transfers in	-	-	25,000	25,000
Net Change in Fund Balance after transfer from Surplus	-	-	(2,575)	(2,575)
Transfers from Surplis Funds	-	-	-	-
Net Change in Fund Balance after Transfer from Surplus	-	-	(2,575)	(2,575)
Fund Balance -Beginning of Year			1,368,720	
Fund Balance -End of Year			1,366,145	

City of Emporia, Virginia
Budgetary Comparison Schedule
June 30, 2022

Emporia Industrial and Development Authority Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Use of money and property	-	-	\$ 161,076	\$ 161,076
Intergovernmental	-	-	19,804	19,804
	-	-		
Revenue from the Federal Government	-	-	-	-
CARES Act	-	-	-	-
	-	-	-	-
Total Revenue from the Federal Government	-	-	-	-
Total Intergovernmental Revenues	-	-	19,804	19,804
	-	-		
Total Revenues	-	-	180,880	180,880
Expenditures				
<i>Community Development</i>	-	-	-	-
Incentives	-	-	-	-
Payouts-Business Incubation Grants	-	-	56,715	(56,715)
CARES Act	-	-	-	-
Total Community Development	-	-	56,715	(56,715)
	-	-	-	-
Total Expenditures	-	-	56,715	(56,715)
	-	-		
Excess (Deficiency) of Revenues over Expenses	-	-	124,165	124,165
Other Financing Sources (Uses)				
Transfers In	-	-	179,799	179,799
Transfers Out	-	-	-	-
	-	-		
Total Other Financing Sources (Uses)	-	-	179,799	(179,799)
	-	-		
Net Change in Fund Balance Before Transfer from Surplus	-	-	124,165	124,165
	-	-		
Transfer from Surplus Funds	-	-	-	-
	-	-		
Net Change in Fund Balance After Transfer from Surplus	-	-	124,165	124,165
	-	-		
Fund Balance-Beginning of Year			40,666	
Fund Balance - End of Year			\$ 164,831	

City of Emporia, Virginia
Schedule of Changes in the Political Subdivision's
Net Pension Liability and Related Ratios
For the Plan Year Ended June 30, 2022

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability							
Service Cost	\$ 643,025	\$ 655,207	\$ 618,606	\$ 540,486	\$ 558,549	\$ 539,612	\$ 504,635
Interest	1,938,687	1,858,560	1,813,886	1,746,013	17,187,299	1,620,434	1,573,674
Changes in Benefit Terms	-	-	-	-	-	-	-
Difference Between Expected and Actual Experience	(322,941)	231,899	(127,060)	81,374	(599,615)	288,704	(393,028)
Changes of Assumptions	1,013,861	-	769,325	-	(94,063)	-	-
Benefit Payments	<u>(1,683,902)</u>	<u>(1,433,270)</u>	<u>(14,783,125)</u>	<u>(1,323,396)</u>	<u>(1,051,117)</u>	<u>(1,050,238)</u>	<u>(984,394)</u>
Net Change in Total Pension Liability	1,588,730	1,312,392	1,601,632	1,044,477	523,053	1,398,512	700,927
Total Pension Liability - Beginning	<u>29,563,245</u>	<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>
Totl Pension Liability - Ending (a)	<u>\$31,151,975</u>	<u>\$29,563,245</u>	<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>
Plan Feduciary Net Position							
Contributions - Employer	\$ 595,482	\$ 503,840	\$ 508,551	\$ 528,732	\$ 494,818	\$ 506,409	\$ 508,462
Contributions -Employee	244,301	237,063	238,219	236,618	219,230	204,860	206,241
Net Investment income	7,052,088	500,163	1,672,873	7,776,476	2,650,279	378,168	963,146
Benefit Payments	(1,683,902)	(1,433,274)	(1,473,125)	(1,323,396)	(1,051,117)	(1,050,238)	(984,394)
Adminstrator Charges	17,904	(17,214)	(16,945)	(15,472)	(15,335)	(13,592)	(13,256)
Other	<u>(661)</u>	<u>(587)</u>	<u>(1,048)</u>	<u>(1,572)</u>	<u>(2,357)</u>	<u>(160)</u>	<u>(203)</u>
Net Change in Plan Fiduciary Net Position	6,190,726	(210,009)	928,555	1,201,386	2,295,518	25,447	679,996
Plan Fiduciary Net Position - Beginning	<u>26,040,322</u>	<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>
Plan Fiduciary Net Position - Ending (b)	<u>\$32,231,048</u>	<u>\$26,040,322</u>	<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>
Political Subdivision's Net Pension Liability - Ending (a-b)	\$(1,079,073)	\$ 3,522,923	\$2,000,522	\$ 1,327,445	\$ 1,484,354	\$ 3,247,819	\$ 1,874,754
Plan Fiduciary Net Position as a Perctage of the Total Pension Liability	1.035%	11.92%	7.08%	4.98%	5.80%	12.95%	7.92%
Covered Payroll	\$ 5,008,851	\$ 4,955,030	\$ 4,925,969	\$ 4,806,696	\$ 4,475,770	\$ 4,147,860	\$ 4,157,086
Political Subdivision's Net Pension as a Percentage of Covered Payroll	(0.215)	71.10%	40.61%	27.62%	33.16%	78.30%	45.10%

City of Emporia, Virginia
Schedule of Employer Contributions
Political Subdivisions Retirement Plan
For the Years Ended June 30, 2013, through 2022

Date	Contributions in Relation to			Contributions as a % of	
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Covered Payroll (5)
2022	\$ 650,548	\$ 650,548	\$ -	\$ 5,398,735	12.05%
2021	617,679	617,679	-	5,125,970	12.05%
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

For Reference Only:

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

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

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, 2022

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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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 PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020.
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

All Others (Non 10 Largest) – Hazardous Duty:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Rates Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Largest 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

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, 2021, 2020, 2019, and 2018

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's Proportion of the Net GLI OPEB Liability (Asset)	0.02474%	0.02408%	0.25130%	0.02528%
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	\$ 445,848	\$ 401,855	\$ 408,932	\$ 384,000
Employer's Covered Payroll	\$ 5,043,851	\$ 4,955,030	\$ 4,925,969	\$ 4,806,696
Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	8.84%	8.11%	8.30%	7.99%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.45%	52.64%	52.00%	51.22%

The schedule is intended to show information for 10 years. Since 2020 is the fourth year for this presentation, there are only four years 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 88 of the VRS 2022 Annual Report.

City of Emporia, Virginia
Group Life Insurance OPEB Plan
Schedule of Employer Contributions
For the Years Ended June 30, 2013 through 2022

Date	Contributions in Relation to			Contributions	
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	as a % of Covered Payroll
	(1)	(2)	(3)	(4)	(5)
2022	\$ 28,761	\$ 32,356	\$ -	\$ 5,398,735	0.54%
2021	27,680	27,680	-	5,125,970	0.54%
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	-	4,806,606	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%

For Reference Only:

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

Column 2 - Employer contributions as referenced in Covered Payroll & Contributions report on VRS website.

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, 2022

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, 2020, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, 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:

Non-Largest Ten Locality Employers – General Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update d 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%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update d 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
For the Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability				
Service cost	\$ 32,552	\$ 28,324	\$ 22,759	\$ 16,042
Interest on total OPEB liability	12,814	12,390	14,116	14,144
Effect of plan changes	-	-	-	-
Effect of economic/demographic gains or (losses)	(160,910)		116,290	-
Effect of assumption changes or inputs	1,743	2,105	21,026	13,061
Benefit payments	<u>(2,102)</u>	<u>(26,531)</u>	<u>(18,416)</u>	<u>(5,941)</u>
Net change in total OPEB liability	(115,903)	16,288	155,775	37,306
Total OPEB liability - beginning	<u>561,751</u>	<u>545,463</u>	<u>389,688</u>	<u>352,382</u>
Total OPEB liability - ending	<u><u>\$ 445,848</u></u>	<u><u>\$ 561,751</u></u>	<u><u>\$ 545,463</u></u>	<u><u>\$ 389,688</u></u>
Covered payroll	\$ 5,043,851	\$ 4,876,404	\$ 4,876,404	\$ 4,876,760
Political subdivision's net OPEB liability as a percentage of covered payroll	8.84%	11.52%	11.19%	7.99%

This schedule is presented to illustrate the requirement to show information for 10 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, 2013 through 2022

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2022	\$ -	\$ -	\$ -	\$ 5,043,851	0.00%
2021	-	-	-	4,876,404	0.00%
2020	-	-	-	4,876,404	0.00%
2019	-	-	-	4,876,404	0.00%
2018	-	-	-	4,876,404	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

IV. 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 City of Emporia, Virginia (including its blended component units), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Emporia, Virginia's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 item 2022-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

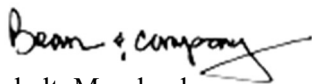
As part of obtaining reasonable assurance about whether the City of Emporia, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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



Greenbelt, Maryland
December 15 2023



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

Opinion on Each Major Federal Program

We have audited the City of Emporia, Virginia's compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget *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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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 *for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards, Uniform Guidance, and specifications are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Emporia, Virginia and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Emporia, Virginia's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Emporia, Virginia's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Emporia, Virginia's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Emporia, Virginia's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Emporia, Virginia's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Emporia, Virginia's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Emporia, Virginia's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

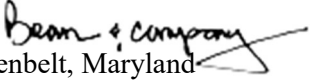
Report on Internal Control over Compliance

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.


Greenbelt, Maryland
December 15, 2023



**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, 2022, and have issued our report thereon dated December 15, 2023.

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.

Brown & Company

Greenbelt, Maryland
December 15, 2023

City of Emporia, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
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	\$ 35,089
Hazard Mitigation Grant	97.039	127	63,428
Subtotal- U.S. Department of Homeland Security			<u>98,517</u>
U.S. Department of the Treasury			
Pass-Through Payments			
<i>Commonwealth of Virginia Department of Accounts</i>			
Coronavirus State and Local Fiscal Recovery Funds to Non-Entitlement Units of Government (ARPA)	21.027	151	1,314,212
<i>Commonwealth of Virginia Department of Housing and Community Development</i>			
COVID 19- ARPA SLFRF Municipal Utility Assistance Program	21.027	165	78,690
Subtotal- U.S. Department of the Treasury			<u>1,392,902</u>
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	81,544
Sexual Assault Services Program (SASP)	16.575	140	267,737
Victim Witness Program	16.575	140	77,613
Edward Byrne Memorial Justice Assistance Grants	16.738	140	16,619
DCJS Victim Services American Rescue Act Fund	16.575	140	57,894
<i>Commonwealth of Virginia Department of Social Services</i>			
Crime Victim Assistance Grant-Child Advocacy	16.758	765	144,645
DSS American Rescue Plan Act Funds	16.758	765	21,840
DSS Child Abuse and Neglect Prevention	16.758		
Subtotal- U.S. Department of Justice			<u>667,892</u>
Grand Totals			<u>\$ 2,159,311</u>

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 the City of Emporia, Virginia under programs of the Federal Government for the year ended June 30, 2022. 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 the City of Emporia, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the 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

The 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
Section II Financial Statement Findings
Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statement s audited were prepared in accordance with GAAP: Unmodified
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>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
--	--

21.019	Coronavirus Relief Funds
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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

City of Emporia, Virginia
Section II Financial Statement Findings
Year Ended June 30, 2022

Finding 2022-001

Audit reports and submission of the completed audit report and the Annual Comprehensive Financial Report to the Auditor of Public Accounts and the Federal Clearinghouse is not in compliance with the Commonwealth of Virginia Statutes and Federal guidelines.

Criteria:

State requirements at §15.2-2511 of the Code of Virginia, and Uniform Guidance under OMB audit guidelines.

Condition:

The city has had significant issues, including lack of personnel and other issues noted in previous audit findings as follows:

- 2021-001, and 2020-001-Issues with month end closings
- 2021-002-Bank reconciliations, not timely prepared
- 2021-003-Water and Sewer billings-not timely reconciled and aged; additionally, accounts receivable from the billings did not reconcile to the general ledger
- 2021-004-Transfers reconciliations
- 2021-005-Clearing account reconciliations

Cause:

The 2022 Audit was late because the delay in receiving the 2021 audit until February of 2023, cause the 2022 audit to not be timely completed and submitted.

Effect:

The procedures had to be completed before the audit could be completed. This process caused the audit and the required submissions to the Commonwealth of Virginia and the Clearinghouse to be submitted late. The completion of the 2022 audit could not be accomplished until the 2021 audit was completed. This then caused the 2022 audit to be submitted late.

Recommendation:

The city staff should continue to process and monitor the conditions noted above. This includes monthly reconciliations of original entry journals to the general ledger. Accounting reconciliations and bank reconciliations should be accomplished on a monthly basis. Emporia should monitor and balance clearing house accounts monthly. Additionally, staff should be trained on the BAI system and work with the constitutional officers to complete bank reconciliations and account analysis on a consistent basis. Specific account analysis should include:

- Cash
- Bond debt and principal curtailments and interest amortization and payments
- Transfers and due (to) due from
- Clearing accounts
- Industrial Development and Redevelopment Housing Funds and group of accounts

