CITY OF HOPEWELL, VIRGINIA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

CITY OF HOPEWELL, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

Prepared by
City of Hopewell, Virginia
Department of Finance

INTRODUCTORY SECTION

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MEMBERS OF THE CITY COUNCIL (as of June 30, 2015)

Brenda S. Pelham, Mayor
Christina J. Luman-Bailey, Vice-Mayor
Jasmine E. Gore Arlene Holloway
Anthony Zevgolis K. Wayne Walton
Jackie M. Shornnak

CITY OFFICIALS (as of June 30, 2015)

Mark A. Haley, City Manager
Charles E. Dane, Assistant City Manager
David C. Fratarcangelo, City Attorney
Cynthia Y. Ames, City Clerk
Teresa L. Batton, City Treasurer
Debra A. Reason, Commissioner of Revenue
Richard K. Newman, Commonwealth's Attorney
Tamara J. Ward, Clerk of Circuit Court
Luther Sodat, Sheriff
Dr. John Fahey, Superintendent of Schools
Tevya W. Griffin, Director of Development
Raymond W. Spicer, Director of Social Services
Edward O. Watson, Director of Public Works
Eugenia E. Grandstaff, Director of Regional Wastewater Treatment Facility & Sewer System
Aaron A. Reidmiller, Director of Recreation
Donald R. Hunter, II, Chief, Fire Department
John F. Keohane, Chief, Police Department
Jerry L. Whitaker, CPA, Director of Finance
Herbert Bragg, Director of Governmental Affairs
Gail F. Vance, Director of Human Resources

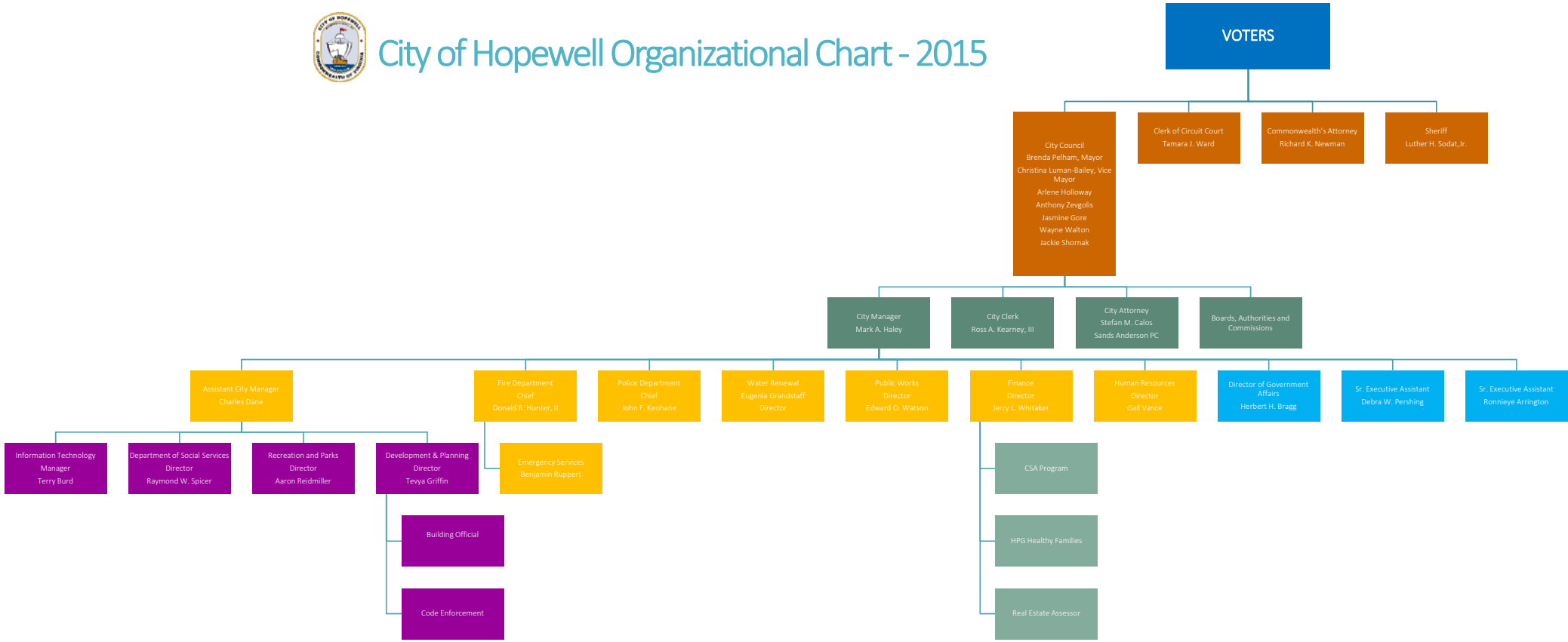
MEMBERS OF THE CITY COUNCIL (as of August 31, 2017)

Jackie M. Shornak, Mayor
Jasmine E. Gore, Vice-Mayor
Christina J. Luman-Bailey Arlene Holloway
Anthony Zevgolis Janice Denton
Christina J. Luman-Bailey

CITY OFFICIALS (as of August 31, 2017)

Mark A. Haley, City Manager
Charles E. Dane, Assistant City Manager
Stefan M. Calos, City Attorney
Ronnieye L. Arrington, City Clerk
Teresa L. Batton, City Treasurer
Debra A. Reason, Commissioner of Revenue
Richard K. Newman, Commonwealth's Attorney
Tamara J. Ward, Clerk of Circuit Court
Luther Sodat, Sheriff
Dr. Melody D Hackney, Superintendent of Schools
Tevya W. Griffin, Director of Development
Raymond W. Spicer, Director of Social Services
Edward O. Watson, Director of Public Works
Eugenia E. Grandstaff, Director of Regional Wastewater Treatment Facility & Sewer System
Aaron A. Reidmiller, Director of Recreation
Donald R. Hunter, II, Chief, Fire Department
John F. Keohane, Chief, Police Department
Lance W. Wolff, CPA, Interim Director of Finance
Herbert Bragg, Director of Governmental Affairs
Renia Coles, Director of Human Resources

City of Hopewell Organizational Chart - 2015



Mark A. Haley
City Manager

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August 31, 2017

The Honorable Members of City Council
City of Hopewell, Virginia:

TO THE HONORABLE MEMBERS OF CITY COUNCIL:

The Comprehensive Annual Financial Report of the City of Hopewell, Virginia (the City) for the year ended June 30, 2015 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including the schedule of federal financial assistance, findings and questioned costs, and independent auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in a compliance section.

The financial reporting entity includes all funds of the primary government (i.e., the City), as well as the component units for which the City is financially accountable. Effective June 30, 2003, the City implemented GASB Statement No. 34 of the Governmental Accounting Standards Board titled Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments Financial Reporting Entity. Statement No. 34 established new standards for defining and reporting on the financial reporting entity. The most significant changes resulting from the application of this statement was to include two additional financial statements: Statement of Net Assets and Statement of Activities along with management's discussion and analysis.

The City is governed by the city manager-city council form of government, whereby the city manager is responsible for carrying out the policy decisions of city council. City department directors manage individual departments and report to the city manager. Hopewell has two separate component units-Hopewell Schools and Comprehensive Services Act Board.

The City provides a full range of services, including police and fire protection; sanitation services; health and social services; construction/maintenance of roads, streets, and other infrastructure; cultural events; and, recreational activities. In addition to these general government activities, the Regional Wastewater Treatment Facility is also a part of the primary government and is included in the reporting entity.

ECONOMIC CONDITION AND OUTLOOK

Hopewell is located approximately 25 miles southeast of Richmond, Virginia, the state capital. The City is considered developed out with respect to land use, except for several industrial zoned sites. Almost all new residential development is fill-in because the City has no large undeveloped land parcels. Until such time that the state General Assembly grants additional taxing authority, removes the annexation moratorium, assumes funding responsibility for state mandated services or some combination thereof, the City's revenue potential will remain limited. Hopewell is reported as one of the top ten fiscally stressed cities within the Commonwealth of Virginia.

The City has joined thirteen other Virginia cities to form the Virginia First Cities Coalition. This group is gathering and providing data to the General Assembly on the needs and issues facing Virginia's older inner cities. The issues facing this group are unique to older inner cities and not counties in Virginia and the General Assembly must address these problems. The City is poised for significant improvements in economic development in the near future.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

The list below highlights some of the City's achievements/events for 2015:

- Defeated legislation eliminating Machinery & Tools Tax, saving city approximately $5 million.
- Continued progress on police station design (90% complete) and fire station design (60%) for public safety building.

<u>Commissioner of Revenue</u>

- Received public service award from IRS for implementation of state VITA program.

<u>Finance</u>

- Completed implementation of a new MUNIS financial system replacing several software systems with one system to handle a majority of citywide operational and reporting needs

<u>Fire</u>

- Purchased two new fire equipment vehicles utilizing lease-purchase financing.

<u>Regional Wastewater Treatment Facility</u>

- Began construction on both Phase II nitrogen reduction project and sewage sludge incinerator (air pollution control) upgrade project.

<u>Neighborhood Assistance and Planning</u>

- Adopted new floodplain ordinance and maps in compliance with FEMA regulations.

<u>Police</u>

- 12% reduction in violent crime due to historic lows in aggravated assaults and robberies.
- Initiated new citywide radio project with estimated completion in January 2016.

<u>Public Works</u>

- Established storm water utility fee program.
- Continued implementation of pavement management program with major rehabilitation of streets.

<u>Recreation & Parks</u>

- Received the 2015 Playful Cities USA designation.

<u>Human Resources</u>

- Obtained more cost effective health insurance (health, dental and vision) for city and employees.

<u>Social Services</u>

- Met or exceeded state performance measures for timeliness and accuracy (97%) of processing applications for SNAP assistance.

<u>Economic Development & Tourism</u>

- Completed Ashland grant and expansion at $92 million and completed preliminary deal on The Boathouse restaurant development.

- Completed deals for Luck Barbershop Building, Navigator's Den, and Broyhill Property.

Public Schools

- Fully implemented and converted to new HCPS accounting system.
- Increased SOL test results in most subjects and on-time graduation rates (from 80.5% to 81.9%).
- Completed fiber project and implementation of Wi-Fi wireless access in 100% of classrooms.
- Issued computer tablets to all 5th and 9th grade students.

External partnerships include:

Hopewell On-line – Hopewell is among the Tri-City area governments with local information on the Internet. Hopewell's home page is constantly expanding to include not only information about local government, but also links to their agencies, businesses, and organizations in Hopewell. It is a true partnership effort; check it out at *http://www.hopewellva.gov*.

Internal partnerships include:

Vision Committee – This is a standing committee whose primary charge is selecting an "employee of the quarter award"; "the spark plug award" which recognizes an individual for his/her contribution, and the "touch of class award" which recognizes a group or team for its contribution to a problem solution.

ASP-PROS – City staff engaged in administrative functions from a cross section of all departments routinely meet to receive training and exchange ideas and networking.

FINANCIAL INFORMATION

City Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by City management.

As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2015 will be provided under separate reporting.

Budgetary Controls

The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the general fund and special revenue funds are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at departmental level within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Appropriations, except for encumbrances and project-length capital projects, lapse at year-end.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

General Governmental Functions

Total revenues from governmental funds, which includes the General, Special Revenue, and Capital Projects Funds plus the School Board and the Comprehensive Services Act Board component units were approximately $104,930,000 in 2015. This represents an increase of approximately $4,860,000 from last year. Property taxes, other local taxes, and intergovernmental revenues accounted for approximately 90% of revenues in the governmental funds.

Assessed real property valuations of $1,523,579,400 were consistent with the prior year. Current real property tax collections were 96.41% of the tax levy, which was a 3.6% increase in last year's ratio of 93.02%.

Total expenditures from governmental funds, which include General, Special Revenue, and Capital Projects plus the School Board and Comprehensive Services Act Board component units, approximated $109,650,000 in 2015. This represents an increase of approximately $4,300,000, or 4.1%, over 2014.

Further detailed analysis of revenues and expenditures can be found in the Management Discussion and Analysis section of this report

Fund Balances

Fund balances in the major operating funds were maintained at adequate levels. The General Fund balance saw a decrease this year. The unassigned fund balance for the General Fund was $2,231,581 on June 30, 2015. This represents a decrease of $1,063,182. Obligated fund balances included: $62,771 for non-spendable inventory, assigned fund balances include: $400,000 for cemetery perpetual care, $657,357 for fire equipment replacement, $4,841,760 for a rainy day emergency fund, $668,075 for the self-insurance fund, and $1,316,500 for next year's budget.

The Virginia Public Assistance Fund's assigned fund balance was $321,735 at year end.

Capital Projects Fund expenditures amounted to $11,701,446, of which $6,797,097 was spent on community development and infrastructure improvements and $4,904,349 was for long-term debt service.

The fund balance in the Capital Projects Fund at June 30, 2015 was $20,024,928, of which $8,941,242 was assigned for bond proceeds for construction projects.

Proprietary Funds

The City's enterprise operations are comprised of four separate and distinct funds: the Regional Wastewater Treatment Facility Fund, the Sewer Service Fund, the Solid Waste Fund, and the Beacon Theater. Each activity is operated without any inter-fund transfers from the General Fund.

The Hopewell Regional Wastewater Treatment Facility Fund had an increase in net position of $21,777,364 for the year ended June 30, 2015. The Sewer Service Fund had a decrease in net position of $1,030,921 with unrestricted net position of $16,859,921 as of June 30, 2015. The Solid Waste Fund had a decrease in net position of $360,900, leaving unrestricted net position of $1,459,553 as of June 30, 2015. The Storm Water Fund had an increase in net position of $823,487, leaving unrestricted net position of $823,487 as of June 30, 2015. The Beacon Theatre Fund had an increase in net position of $158,492 for the year ended June 30, 2015.

Debt Administration
The ratio of bonded debt to assessed valuation of taxable real property and the amount of bonded debt per capita are useful indicators of the City's debt position to the City management, citizens, and investors. This data for the City at the end of fiscal year 2015 was as follows:

	Amount	Ratio of Debt to Assessed Value	Debt per Capita
Bonded Debt	$ 63,229,416	4.79%	$ 2,799

Of the General Obligation bonded debt outstanding at June 30, 2015, $23,592,601 was School bonds, $2,547,600 was School literary loans, and $37,010,075 represented City public improvement bonds. In addition to the bonded debt, general long-term obligations of the City at June 30, 2015 include $973,828 for compensated absences, $592,626 for landfill closure maintenance costs, $14,106,970 for net pension liability, $5,628,664 for OPEB liability and $79,140 in unamortized bond premium.

Prospects for the Future
City Council adopted a budget of $117,227,800 for its general governmental funds (General Fund, Special Revenue Funds, Component Units, and Capital Projects Fund) for fiscal year 2016.

OTHER INFORMATION

Management, discussion and Analysis
Further detailed analysis review of the City's audited financial report can be found in the MD&A section of this report. The purpose of the MD&A is for management to summarize and report activities in more detail than you will find in the audit report, itself.

Independent Audit
State Statutes require an annual audit by independent certified public accountants. The accounting firm of Cherry Bekaert LLP was selected by the City's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and related OMB Circular A-133. The report of the independent auditor on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The report of the independent auditor related specifically to the Single Audit will be issued under separate reporting.

ACKNOWLEDGMENTS

This report could not have been prepared and completed without a great deal of cooperation and assistance by the staff in a number of City departments and the Finance Department wishes to thank them. We would like to express our appreciation to the staff members of the Department of Finance who had a primary role in the preparation of this report. We also wish to thank the Commissioner of the Revenue, the City Treasurer, their staffs and members of the Real Estate Assessor's Office and the Department of Development who provided invaluable assistance in the preparation of this report. Finally, we would like to thank the Mayor and members of City Council for their continued interest in and support for planning and conducting the financial operations of the City in an efficient, responsible, and responsive manner.

Mark A. Haley
City Manager

Lance W. Wolff
Interim Director of Finance

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FINANCIAL SECTION

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopewell, Virginia (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-type Activities	Qualified
Aggregate Discretely Presented Component Units	Unmodified
Governmental Fund – General Fund	Unmodified
Governmental Fund – Virginia Public Assistance Fund	Unmodified
Governmental Fund – Capital Projects Fund	Unmodified

Opinion Unit	Type of Opinion
Enterprise Fund – Hopewell Regional Wastewater Treatment Facilities Fund ("HRWTF")	Qualified
Enterprise Fund – Sewer Service Fund	Qualified
Enterprise Fund – Solid Waste Fund	Unmodified
Enterprise Fund – Storm Water Fund	Unmodified
Enterprise Fund – Beacon Theatre Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on the Business-type Activities, HRWTF Fund and Sewer Service Fund

For the fiscal year ended June 30, 2015, City management could not accurately determine the total amount of the business-type activities, the HRWTF Fund and the Sewer Service Fund changes in net position related to the revenue transaction cycle. Accounting principles generally accepted in the United States of America require net position at the end of a fiscal year to equal the years beginning net position plus the changes in net position occurring during the year. For the three opinion units noted, the City recorded unsupported adjustments to the yearly activity to enable net position at June 30, 2015 per the Statement of Net Position to equal net position per the Statement of Activities and the Statement of Revenues, Expenses, and Changes in Net Position. The amount by which this departure would affect the operating revenues, credits issued, bad debt expense, accounts receivables, unearned revenues and refund credits payable and related net position of the business-type activities, HRWTF Fund and Sewer Service Fund has not been substantiated.

Qualified Opinion

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on the Business-type Activities, HRWTF Fund and Sewer Service Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, HRWTF Fund and Sewer Service Fund of the City as of June 30, 2015, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each governmental major fund, the Solid Waste Fund, the Storm Water Fund, the Beacon Theatre Fund, and the aggregate remaining fund information of the City, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Notes 1 and 16 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (the "GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* effective July 1, 2014. As a result, related net position has been restated. Our opinions are not modified with respect to this matter.

As discussed in Note 16 to the financial statements, the net position as of June 30, 2014 of the governmental activities, the business-type activities, the HRWTF Fund, the Sewer Service Fund, the Beacon Theatre Fund, and the School Board discretely presented component unit has been restated from the City's previously issued financial statements to reflect the correction of errors. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary 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. Such Other Supplementary 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 Other Supplementary 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 Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
August 31, 2017

The Honorable Members of City Council:

This section of the City of Hopewell, Virginia's comprehensive annual financial report presents our management discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, notes to financial statements, and schedules, which follow this section.

FINANCIAL HIGHLIGHTS (amounts rounded)

- Total net position for the City's Primary Government was $68.2 million. Of this total, $53.0 million was related to business-type activities.
- In the City's business-type activities, total operating and non-operating revenues plus capital contributions were $45.7 million and total operating and non-operating expenses were $23.8 million.
- The total cost of all the City's programs and services was $80.4 million.
- During this year, the net position of the City's governmental activities decreased by $.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts — management's discussion and analysis this section, the basic financial statements, required supplementary, and an optional section that presents the combining statements for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present a different view of the City:

- The first two statements are the government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how the general government services like public safety, public works and social services were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the Regional Wastewater Treatment Plant, Sewer Services, and Solid Waste operations.
  - Fiduciary fund statements provide information about the financial relationships — like the City's Special Welfare Fund — in which the City acts solely as a trustee or agent for the benefit of others, to who the resources in question belong.

The financial statements include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of City of Hopewell Government-Wide and Fund Financial Statements

		Fund Statements		
	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: solid waste, sewer services	Instances in which the City is trustee or agent for someone else's resources
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balance	• Statement of Net Position • Statement of Revenues, Expenses, and Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Assets and Liabilities • Statement of Changes in Fiduciary Assets and Liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or sooner thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow of information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they changed. Net position — the difference between the City's assets and liabilities — is one way to measure the City's financial health or position.

- Over time, changes in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base or the condition of the City's streets or roads.

The government-wide financial statements of the City are divided into three categories:

- Governmental Activities — Most of the City's basic services are included here, such as the police, fire, public works, parks, and social services departments, and general administration. Property taxes and state and federal grants finance the biggest share of these activities.
- Business-Type Activities — The City charges fees to customers to help it cover the costs of certain services it provides. The City's Regional Wastewater Treatment Facilities Plant, Sewer Services, Solid Waste, and Storm Water activities are included here. The Beacon Theatre is also included as a blended component unit in the Business-type activities section of the government-wide financial statements.
- Component Units — The City includes two other entities in its report — The Hopewell City School Board and the Comprehensive Services Act Board. Although legally separate, these "component units" are important because the City is financially accountable for them and there is a financial benefit/burden relationship with the City.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds — not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and others by legal requirements.
- The City Council may establish other funds to control and manage monies for particular purposes or to show that it is properly using certain taxes or grants.

The City has three kinds of funds:

- Governmental Funds — Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds' statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary Funds — Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both short-term and long-term financial information. In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- Fiduciary Funds — The City is the trustee, or fiduciary, for the Special Welfare and the Healthy Families' Funds. It is responsible for these assets because of a trust arrangement; they can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities and Statement of Changes in Assets and Liabilities. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City reports under accounting principles generally accepted in the United States of America (GAAP), which requires the City to present comparative data for the Management's Discussion and Analysis (MD&A).

Table A-1 summarizes the City's Statement of Net Position:

Table A-1

City of Hopewell, Virginia
Summary of Net Position
As of June 30, 2015

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014 *	2015	2014 *	2015	2014 *	2015	
Current and other assets	$ 46,266,726	$ 46,989,221	$ 31,215,937	$ 40,088,694	$ 77,482,663	$ 87,077,915	12.38%
Capital assets	66,669,512	67,345,369	41,970,850	60,752,815	108,640,362	128,098,184	17.91%
Total Assets	112,936,238	114,334,590	73,186,787	100,841,509	186,123,025	215,176,099	
Deferred outflows of	1,711,378	4,131,263	286,248	351,213	1,997,626	4,482,476	124.39%
Current Liabilities	5,939,344	3,386,622	3,613,326	4,020,456	9,552,670	7,407,078	(22.46%)
Long-term liabilities	82,666,699	84,531,501	38,197,079	43,270,950	120,863,778	127,802,451	5.74%
Total Liabilities	88,606,043	87,918,123	41,810,405	47,291,406	130,416,448	135,209,529	
Deferred Inflows of Resources	9,913,391	15,330,657	43,693	914,857	9,957,084	16,245,514	63.16%
Net Position:							
Net investment in capital assets	15,140,913	15,515,897	11,156,352	31,226,996	26,297,265	46,742,893	77.75%
Restricted	464,911	400,000	-	-	464,911	400,000	(13.96%)
Unrestricted	522,358	(698,824)	20,462,585	21,759,463	20,984,943	21,060,639	0.36%
Total Net Position	$ 16,128,182	$ 15,217,073	$ 31,618,937	$ 52,986,459	$ 47,747,119	$ 68,203,532	

* Restated to reflect adjustments - see Footnote 16

Total net position decreased approximately $.9 million during the current fiscal year for the City's governmental activities.

Total net position increased approximately $21.4 million for the business-type activities. These resources are not used to make up any net asset deficit in governmental activities. The City uses its net position to finance the continuing operations of the solid waste and sewer operations.

Changes in Net Position

Table A-2 and the narrative that follows will consider the operations of the governmental and business-type activities, separately.

Governmental Activities

Total governmental activities revenues decreased by 5% over 2014. At the same time, expenses increased by 5% over 2014. The combined revenues and expenses created a decrease in net position of $.9 million.

Business-Type Activities

Charges for services of the City's business-type activities decreased 6% and expenses increased by 13%. The combined revenues and expenses created an increase in net position of $21.4 million driven by significant grants and contributed capital amounts in 2015.

Table A-2

City of Hopewell, Virginia
Changes in Net Position
For the Year ended June 30, 2015

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2015	2014	2015	2014	2015	
Revenues							
Program revenues:							
Charges for services	$ 907,526	$ 977,338	$ 22,385,729	$ 21,134,708	$ 23,293,255	$ 22,112,046	(5.07%)
Federal/state operating grants	9,987,193	10,615,538	-	-	9,987,193	10,615,538	6.29%
Federal/state capital grants	316,105	245,093	-	23,492,801	316,105	23,737,894	7409.50%
General revenues:							
Property taxes	25,585,445	29,559,595	-	-	25,585,445	29,559,595	15.53%
Other taxes	10,335,843	8,539,613	-	-	10,335,843	8,539,613	(17.38%)
Other	3,328,131	5,243,299	268,690	1,058,783	3,596,821	6,302,082	75.21%
Total Revenues	50,460,243	55,180,476	22,654,419	45,686,292	73,114,662	100,866,768	37.96%
Expenses							
General government	9,598,375	7,471,201	-	-	9,598,375	7,471,201	(22.16%)
Judicial	2,598,072	2,810,211	-	-	2,598,072	2,810,211	8.17%
Public safety	14,012,598	16,464,074	-	-	14,012,598	16,464,074	17.49%
Public works	1,540,362	3,227,810	-	-	1,540,362	3,227,810	109.55%
Health & welfare	5,363,582	5,532,202	-	-	5,363,582	5,532,202	3.14%
Education	13,266,424	15,202,676	-	-	13,266,424	15,202,676	14.60%
Parks, recreation, and cultural	2,530,959	2,408,566	-	-	2,530,959	2,408,566	(4.84%)
Community development	896,763	868,640	-	-	896,763	868,640	(3.14%)
Interest on long-term debt	1,325,884	2,608,205	-	-	1,325,884	2,608,205	96.71%
Public utilities	-	-	21,114,290	23,816,770	21,114,290	23,816,770	12.80%
Total Expenses	51,133,019	56,593,585	21,114,290	23,816,770	72,247,309	80,410,355	11.30%
Transfers, net	(407,326)	502,000	407,326	(502,000)	-	-	
Change in Net Position	(1,080,102)	(911,109)	1,947,455	21,367,522	867,353	20,456,413	
Net position - beginning of year, as restated	28,680,781	16,128,182	30,854,344	31,618,937	59,535,125	47,747,119	
Cumulative effect of error corrections *	(11,472,497)	-	(1,182,862)	-	(12,655,359)	-	
Net position - end of year	$ 16,128,182	$ 15,217,073	$ 31,618,937	$ 52,986,459	$ 47,747,119	$ 68,203,532	

* Restated to reflect adjustments - see Footnote 16

Table A-3 presents the costs of the City's larger programs — public safety, public works, education, health & welfare — as well as each program's net cost (total costs less fees generated by the activities and intergovernmental aid). The net costs show the financial burden that was placed on the City's taxpayers by each of these functions.

- The total costs of these larger governmental activities represent 75% of the $54.0 million total costs of services.
- However, the amount that our taxpayers paid for these activities was $39.1 million. Some of the costs were paid by:
  — Those who directly benefited from the programs, or
  — Other governments and organizations subsidized certain programs with grants and contributions.
- The City paid for the "public benefit" portion with taxes and with other revenues such as interest and unrestricted state aid.

Table A-3

City of Hopewell, Virginia
Net Cost of Certain Governmental Activities
For the Year Ended June 30, 2015

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2014	2015		2014	2015	
Public Safety	$ 14,012,598	$ 16,464,074	17.49%	$ 12,713,965	$ 14,055,371	10.55%
Public Works	1,540,362	3,227,810	109.55%	(2,226,304)	(788,386)	(64.59%)
Health & Welfare	5,363,582	5,532,202	3.14%	2,229,467	1,848,225	(17.10%)
Education	13,266,424	15,202,676	14.60%	13,266,424	15,202,676	14.60%
Other	16,950,053	13,558,618	(20.01%)	13,938,643	12,060,418	(13.47%)
Total	$ 51,133,019	$ 53,985,380		$ 39,922,195	$ 42,378,304	

FINANCIAL ANALYSIS OF THE CITY - GOVERNMENTAL ACTIVITY (FUND) BALANCE SHEETS

General Fund

The City closed the fiscal year ended June 30, 2015 with the General Fund reporting total fund balance of $10.8 million. The unassigned fund balance was $2.2 million, which was approximately $1.0 million less than last year.

Capital Projects Fund

The City closed the fiscal year ended June 30, 2015 with its Capital Projects Fund reporting an assigned fund balance of $4.9 million, which was approximately $10.3 million less than last year.

Virginia Public Assistance Fund

The City closed the fiscal year ended June 30, 2015 with its Virginia Public Assistance Fund reporting an assigned fund balance of $.3 million. Revenues and operating transfers in exceeded expenditures revenues by approximately $41,000.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the fiscal year ended June 30, 2015, the City Council amended the City budget. These budget amendments fall into three categories:

- Budget amendments and appropriations approved after the beginning of the fiscal year to reflect prior year encumbrances being re-authorized for the expenditure of funds in the "new" fiscal year.
- Changes made to the budget during the fiscal year to address budget priorities that reflect changes in the allocation of resources expected to be used during the remainder of the current fiscal year.
- Increases in budget amendments and appropriations for the expenditure of funds for items occurring in the current fiscal year that were not in the original budget adopted for the fiscal year.

Even with the increases in the total budget resulting from such budget amendments and appropriations, actual expenditures were approximately $.3M under the final total budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - Governmental and Business-Type Activities

At the end of fiscal year 2015, the City had invested $128.1 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, sewer plants, and sewer lines. (See Table A-4).

Table A-4

City of Hopewell, Virginia
Capital Assets Net of Depreciation
At June 30, 2015

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014 *	2015	2014	2015	2014 *	2015	
Land	$ 6,622,991	$ 6,622,991	$ 598,419	$ 598,419	$ 7,221,410	$ 7,221,410	0.00%
Buildings, system improvements, and infrastructure	28,665,094	28,327,910	34,651,313	37,046,930	63,316,407	65,374,840	3.25%
Equipment	3,713,144	3,436,075	3,072,482	1,495,362	6,785,626	4,931,437	(27.33%)
Construction in progress	605,697	2,796,846	3,648,636	21,612,104	4,254,333	24,408,950	473.74%
Jointly-owned assets	27,062,586	26,161,547	-	-	27,062,586	26,161,547	(3.33%)
Total	$ 66,669,512	$ 67,345,369	$ 41,970,850	$ 60,752,815	$ 108,640,362	$ 128,098,184	

* Restated to reflect adjustments - see Footnote 16

There were major capital asset additions in fiscal year 2015 for the business-type activities related to plant improvements. More detailed information on capital assets can be found in note 5 to the financial statements.

The City's fiscal year 2016 capital projects budget was $6.9 million, of which $4 million was for debt service and $2.9 million was for infrastructure improvements and various equipment/vehicle purchases.

Long-Term Debt - Governmental Activities

At year-end, the City had $63.2 million in General Obligation bonds and Literary Loans outstanding, an increase of 4% over last year, as shown in Table A-5. More detailed information about the City's long-term liabilities is presented in footnote 7 to the financial statements.

Table A-5

City of Hopewell, Virginia
Schedule of Outstanding Debt
At June 30, 2015

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2015	2014	2015	2014	2015	
General obligation bonds *	$ 57,473,287	$ 60,602,676	$ -	$ -	$ 57,473,287	$ 60,602,676	5.44%
Literary loans	3,021,800	2,547,600	-	-	3,021,800	2,547,600	(15.69%)
Revenue bonds	-	-	33,680,000	38,210,000	33,680,000	38,210,000	13.45%
Total	$ 60,495,087	$ 63,150,276	$ 33,680,000	$ 38,210,000	$ 94,175,087	$ 101,360,276	

* Restated to reflect adjustments - see Footnote 16

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Unemployment in the City during calendar year 2015 was 7.6% versus 9.0% during 2014, as reported by the Virginia Employment Commission.
- Inflation in the tri-cities metropolitan areas continues to track the moderate increase in the national consumer price index during calendar year 2015 of .6%, due primarily to the flat residential housing market and lower energy costs.

These indicators and other goals were taken into account when adopting the General Fund's budget for 2016. Property taxes and public service corporation taxes are expected to provide the majority of General Fund revenues.

The General Fund's budgeted expenditures are expected to rise by almost $2.4 million to $48.4 million. The fund balance amount available for appropriation in the General Fund at June 30, 2015 was $2.6 million.

It is estimated that the unassigned fund balance in the City's General Fund will decrease by $1.3 million at the close of FY 2016 as a result of the adopted budget for FY 2016. As for the City's business-type activities, the FY 2016 results are expected to moderately improve their overall financial position.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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 funds it receives. If you have any questions about this financial report or if you need additional financial information, please contact the Finance Department either by mail at City of Hopewell, Virginia, 300 North Main Street, Hopewell, VA 23860 or by telephone at (804) 541-2306.

Exhibit 1

City of Hopewell, Virginia
Statement of Net Position
June 30, 2015

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board	Comprehensive Services Act Board
Assets					
Cash and investments	$ 17,061,742	$ 24,758,124	$ 41,819,866	$ 7,555,777	$ 251,607
Taxes receivable	11,779,458	-	11,779,458	-	-
Accounts receivable	575,531	4,921,903	5,497,434	31,596	-
Note receivable	-	52,682	52,682	-	-
Interest receivable	108	53	161	-	-
Due from School Board, current portion	110,432	-	110,432	-	-
Due from Community Services Act Board	1,382,556	-	1,382,556	-	-
Due from other governmental units	986,484	1,714,657	2,701,141	800,666	1,760,284
Internal balances	4,593,300	(4,593,300)	-	-	-
Inventories	62,771	969,315	1,032,086	53,131	-
Prepaid expenses	324	10,991	11,315	-	-
Restricted assets:					
Cash and investments (in custody of others)	8,941,242	9,342,700	18,283,942	-	-
Due from School Board, net of current portion	1,495,273	-	1,495,273	-	-
Note receivable, net of current portion	-	2,911,569	2,911,569	-	-
Capital assets, net of accumulated depreciation:					
Land	6,622,991	598,419	7,221,410	474,629	-
Work in progress	2,796,846	21,612,104	24,408,950	-	-
Buildings, system improvements, and Infrastructure	78,789,588	16,666,965	95,456,553	29,093,625	-
Machinery and equipment	11,565,335	54,738,789	66,304,124	7,451,600	-
Sewer main improvements	-	36,619,168	36,619,168	-	-
Accumulated depreciation	(32,429,391)	(69,482,630)	(101,912,021)	(11,584,794)	-
Total assets	114,334,590	100,841,509	215,176,099	33,876,230	2,011,891
Deferred outflows of resources					
Deferred outflows related to debt	2,458,702	-	2,458,702	-	-
Deferred outflows related to pensions	1,672,561	351,213	2,023,774	3,575,278	-
Total deferred inflows of resources	4,131,263	351,213	4,482,476	3,575,278	-
Liabilities					
Accounts payable	1,812,083	843,935	2,656,018	256,075	619,355
Accrued liabilities	993,368	201,113	1,194,481	4,669,245	3,841
Refund credits payable	-	1,756,081	1,756,081	-	-
Accrued interest payable	570,907	652,139	1,223,046	-	-
Due to Primary Government, current portion	-	-	-	110,432	1,388,695
Due to other governmental units	10,264	20	10,284	-	-
Unearned revenues	-	567,168	567,168	31,004	-
Long-term liabilities:					
Due within one year	4,185,702	1,556,726	5,742,428	486,307	-
Due to Primary Government, net of current portion	-	-	-	1,495,273	-
Due in more than one year	80,345,799	41,714,224	122,060,023	40,605,721	-
Total liabilities	87,918,123	47,291,406	135,209,529	47,654,057	2,011,891
Deferred inflows of resources					
Deferred inflows related to debt	-	5,487	5,487	-	-
Unearned revenues	11,000,027	-	11,000,027	-	-
Deferred inflows related to pensions	4,330,630	909,370	5,240,000	6,810,326	-
Total deferred inflows of resources	15,330,657	914,857	16,245,514	6,810,326	-
Net position					
Net investment in capital assets	15,515,897	31,226,996	46,742,893	23,829,355	-
Restricted for:					
Grants	-	-	-	963,375	-
Perpetual care	400,000	-	400,000	-	-
Unrestricted	(698,824)	21,759,463	21,060,639	(41,805,605)	-
Total net position	$ 15,217,073	$ 52,986,459	$ 68,203,532	$ (17,012,875)	$ -

The accompanying notes are an integral part of this statement.

Exhibit 2

City of Hopewell, Virginia
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units: School Board	Component Units: Comprehensive Services Act Board
Primary Government:									
Governmental activities:									
General government administration	$ 7,471,201	$ -	$ 582,239	$ -	$ (6,888,962)	$ -	$ (6,888,962)	$ -	$ -
Judicial administration	2,810,211	58,951	660,730	-	(2,090,530)	-	(2,090,530)	-	-
Public safety	16,464,074	541,987	1,866,716	-	(14,055,371)	-	(14,055,371)	-	-
Public works	3,227,810	-	3,790,219	225,977	788,386	-	788,386	-	-
Health and welfare	5,532,202	-	3,683,977	-	(1,848,225)	-	(1,848,225)	-	-
Education	15,202,676	-	-	-	(15,202,676)	-	(15,202,676)	-	-
Parks, recreation, and cultural	2,408,566	145,507	31,657	-	(2,231,402)	-	(2,231,402)	-	-
Community development	868,640	-	-	19,116	(849,524)	-	(849,524)	-	-
Interest on long-term debt	2,608,205	-	-	-	(2,608,205)	-	(2,608,205)	-	-
Total governmental activities	56,593,585	746,445	10,615,538	245,093	(44,986,509)	-	(44,986,509)	-	-
Business-Type activities:									
Hopewell Regional Wastewater Facilities Fund	11,455,028	9,736,544	-	23,492,801	-	21,774,317	21,774,317	-	-
Sewer Service Fund	9,092,666	8,817,752	-	-	-	(274,914)	(274,914)	-	-
Solid Waste Fund	2,020,591	2,161,514	-	-	-	140,923	140,923	-	-
Storm Water Fund	196,193	19,600	-	-	-	(176,593)	(176,593)	-	-
Beacon Theatre Fund	1,052,292	399,298	-	-	-	(652,994)	(652,994)	-	-
Total Business-Type activities	23,816,770	21,134,708	-	23,492,801	-	20,810,739	20,810,739	-	-
Total Primary Government	$ 80,410,355	$ 21,881,153	$ 10,615,538	$ 23,737,894	(44,986,509)	20,810,739	(24,175,770)	-	-
Component units:									
School Board	$ 46,201,301	$ 443,313	$ 32,516,359	$ -	-	-	-	(13,241,629)	-
Comprehensive Services Act Board	4,522,681	-	4,513,508	-	-	-	-	-	(9,173)
Total component units	$ 50,723,982	$ 443,313	$ 37,029,867	$ -	-	-	-	(13,241,629)	(9,173)
General revenues:									
General property taxes					29,559,595	-	29,559,595	-	-
Local sales tax					1,960,808	-	1,960,808	-	-
Business license tax					1,756,407	-	1,756,407	-	-
Communications tax					840,974	-	840,974	-	-
Restuarant food taxes					1,808,956	-	1,808,956	-	-
Other local taxes					2,403,361	-	2,403,361	-	-
Unrestricted from use of money and property					93,151	247,297	340,448	699	-
Fines and forfeitures					1,545,064	-	1,545,064	-	-
Miscellaneous					1,478,001	811,486	2,289,487	8,853	9,173
Loss on debt refunding					2,127,083	-	2,127,083	-	-
Grants and contributions not restricted to specific programs					-	-	-	15,394,448	-
Transfers, net					502,000	(502,000)	-	-	-
Total general revenues					44,075,400	556,783	44,632,183	15,404,000	9,173
Change in net position					(911,109)	21,367,522	20,456,413	2,162,371	-
Net position - beginning, as restated (Note 16)					16,128,182	31,618,937	47,747,119	(19,175,246)	-
Net position - ending					$ 15,217,073	$ 52,986,459	$ 68,203,532	$ (17,012,875)	$ -

The accompanying notes are an integral part of this statement.

Exhibit 3

City of Hopewell, Virginia
Balance Sheet
Governmental Funds
June 30, 2015

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 11,197,566	$ 216,491	$ 5,428,833	$ 218,852	$ 17,061,742
Receivables (net of allowance for uncollectibles):					
Taxes receivable	11,779,458	-	-	-	11,779,458
Accounts receivable	262,790	-	311,026	1,715	575,531
Interest receivable	94	-	14	-	108
Due from other funds	85,241	-	-	-	85,241
Due from School Board	-	-	1,605,705	-	1,605,705
Due from Comprehensive Service Act Board	1,382,556	-	-	-	1,382,556
Due from other governments	724,306	262,178	-	-	986,484
Advance to Beacon Theatre	-	-	4,593,300	-	4,593,300
Inventories	62,771	-	-	-	62,771
Prepaid items	324	-	-	-	324
Restricted assets:					
Temporarily restricted:					
Cash and investments	-	-	8,941,242	-	8,941,242
Total assets	$ 25,495,106	$ 478,669	$ 20,880,120	$ 220,567	$ 47,074,462
Liabilities					
Accounts payable	$ 812,822	$ 120,488	$ 855,192	$ 23,581	$ 1,812,083
Accrued liabilities	929,392	36,446	-	27,530	993,368
Due to other funds	-	-	-	85,241	85,241
Due to other governments	10,264	-	-	-	10,264
Total liabilities	1,752,478	156,934	855,192	136,352	2,900,956
Deferred inflows of resources					
Unearned tax revenues	11,000,027	-	-	-	11,000,027
Unavailable tax revenues	1,918,598	-	-	-	1,918,598
Total deferred inflows of resources	12,918,625	-	-	-	12,918,625
Fund balances:					
Nonspendable:					
Prepaid items	324	-	-	-	324
Inventories	62,771	-	-	-	62,771
Due from School Board	-	-	1,605,705	-	1,605,705
Advance to Beacon Theatre	-	-	4,593,300	-	4,593,300
Perpetual care	400,000	-	-	-	400,000
Restricted for capital projects	-	-	8,941,242	-	8,941,242
Assigned:					
Fire department equipment	657,357	-	-	-	657,357
Next year budget	1,316,500	-	-	-	1,316,500
Perpetual care	645,635	-	-	-	645,635
Rainy day emergency	4,841,760	-	-	-	4,841,760
Self-insurance	668,075	-	-	-	668,075
Assigned to funds	-	321,735	4,884,681	84,215	5,290,631
Unassigned	2,231,581	-	-	-	2,231,581
Total fund balances	10,824,003	321,735	20,024,928	84,215	31,254,881
Total liabilities, deferred inflows of resources, and fund balances	$ 25,495,106	$ 478,669	$ 20,880,120	$ 220,567	$ 47,074,462

The accompanying notes are an integral part of this statement.

Exhibit 4

City of Hopewell, Virginia
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position
June 30, 2015

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		$ 31,254,881
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		67,345,369
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned in the funds.		
Uncollected taxes receivable		1,918,598
Deferred items:		
Deferred outflow related to debt	$ 2,458,702	
Deferred pension contributions	1,672,561	
Deferred pension investment experience	(4,330,630)	(199,367)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds payable	(60,602,676)	
Bond issuance premium	(79,140)	
State literary fund loans payable	(2,547,600)	
Landfill closure liability	(592,626)	
Accrued interest payable	(570,907)	
Net pension liability	(14,106,970)	
Other postemployment benefit obligations	(5,628,664)	
Compensated absences	(973,825)	(85,102,408)
Net position of governmental activities		$ 15,217,073

The accompanying notes are an integral part of this statement.

Exhibit 5

City of Hopewell, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	$ 29,022,830	$ -	$ -	$ -	$ 29,022,830
Other local taxes	6,056,010	-	2,255,888	-	8,311,898
Permits, privilege fees, and regulatory licenses	230,893	-	-	-	230,893
Fines and forfeitures	1,545,064	-	-	-	1,545,064
Revenues from use of money and property	59,374	2	18,034	15,741	93,151
Charges for services	600,938	-	-	145,507	746,445
Miscellaneous	1,153,890	227	177,467	38,986	1,370,570
Recovered costs	382,500	-	-	-	382,500
Intergovernmental revenues:					
Commonwealth	6,655,860	1,358,909	366,457	26,351	8,407,577
Federal	119,299	2,199,813	-	24,422	2,343,534
Total revenues	45,826,658	3,558,951	2,817,846	251,007	52,454,462
EXPENDITURES					
Current:					
General government administration	4,034,781	-	-	-	4,034,781
Judicial administration	2,582,149	-	-	-	2,582,149
Public safety	13,545,791	-	-	-	13,545,791
Public works	4,290,647	-	-	6,164	4,296,811
Health and welfare	1,356,127	4,109,207	-	-	5,465,334
Education	13,122,800	-	1,178,837	-	14,301,637
Parks, recreation, and cultural	604,300	-	-	1,641,789	2,246,089
Community development	830,372	-	-	38,256	868,628
Nondepartmental	1,563,876	-	-	-	1,563,876
Capital projects	-	-	5,618,260	-	5,618,260
Debt service:					
Principal retirement	-	-	2,269,811	-	2,269,811
Interest and other fiscal charges	-	-	2,634,538	-	2,634,538
Total expenditures	41,930,843	4,109,207	11,701,446	1,686,209	59,427,705
Excess (deficiency) of revenues over (under) expenditures	3,895,815	(550,256)	(8,883,600)	(1,435,202)	(6,973,243)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	502,000	591,700	3,039,500	1,468,696	5,601,896
Operating transfers out	(4,951,971)	-	-	(147,925)	(5,099,896)
Payments to escrow agent	-	-	(14,285,000)	-	(14,285,000)
Proceeds from issuance of bonds	-	-	19,210,000	-	19,210,000
Total other financing sources (uses), net	(4,449,971)	591,700	7,964,500	1,320,771	5,427,000
Net change in fund balances	(554,156)	41,444	(919,100)	(114,431)	(1,546,243)
Fund balance - beginning	11,378,159	280,291	20,944,028	198,646	32,801,124
Fund balance - ending	$ 10,824,003	$ 321,735	$ 20,024,928	$ 84,215	$ 31,254,881

The accompanying notes are an integral part of this statement.

Exhibit 6

City of Hopewell, Virginia
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances per Exhibit 5 - total governmental funds		$ (1,546,243)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay	$ 3,791,728	
Jointly-owned assets adjustment	(461,614)	
Depreciation expense	(2,654,257)	675,857
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		536,765
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Amortization of bond premium	(9,996)	
Principal payments on debt	16,554,811	
Proceeds on issuance of new debt	(19,210,000)	
Amortization of deferred amount of refunding	2,214,274	
Increase in landfill closure liability	(8,758)	(459,669)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in interest payable	26,333	
Increase in other postemployment benefit payable	(729,484)	
Decrease in net pension liability	4,605,077	
Increase in pension related deferred outflows	294,351	
Increase in pension related deferred inflows	(4,330,630)	
Decrease in compensated absences	16,534	(117,819)
Change in Net Position of Governmental Activities		$ (911,109)

The accompanying notes are an integral part of this statement.

Exhibit 7

City of Hopewell, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-Type Activities - Enterprise Funds					
	Hopewell Regional Wastewater Treatment Facilities Fund	Sewer Service Fund	Solid Waste Fund	Storm Water Fund	Beacon Theatre Fund	Total
Assets						
Current assets:						
Cash and investments	$ 9,189,885	$ 12,895,103	$ 1,409,580	$ 945,220	$ 318,336	$ 24,758,124
Accounts receivable, net of allowances for uncollectibles	2,551,570	2,166,457	203,876	-	-	4,921,903
Due from Commonwealth of Virginia	1,714,657	-	-	-	-	1,714,657
Note receivable	-	52,682	-	-	-	52,682
Interest receivable	-	35	12	6	-	53
Inventories	969,315	-	-	-	-	969,315
Prepaid expenses	-	-	-	-	10,991	10,991
Total current assets	14,425,427	15,114,277	1,613,468	945,226	329,327	32,427,725
Noncurrent assets:						
Restricted assets:						
Cash and investments	5,601,097	3,741,603	-	-	-	9,342,700
Total restricted assets	5,601,097	3,741,603	-	-	-	9,342,700
Note receivable	-	2,911,569	-	-	-	2,911,569
Capital assets:						
Land	216,026	97,920	-	-	284,473	598,419
Utility plant in service and buildings	10,503,236	501,878	-	-	5,661,851	16,666,965
Sewer main improvements	-	36,619,168	-	-	-	36,619,168
Machinery and equipment	53,457,629	899,308	51,075	-	330,777	54,738,789
Work in progress	21,612,104	-	-	-	-	21,612,104
Accumulated depreciation	(61,240,304)	(7,848,440)	(19,919)	-	(373,967)	(69,482,630)
Total capital assets	24,548,691	30,269,834	31,156	-	5,903,134	60,752,815
Total noncurrent assets	30,149,788	36,923,006	31,156	-	5,903,134	73,007,084
Total assets	44,575,215	52,037,283	1,644,624	945,226	6,232,461	105,434,809
Deferred outflow of resources						
Pensions	302,888	42,389	5,936	-	-	351,213
Liabilities						
Current liabilities:						
Accounts payable	604,087	67,812	50,297	121,739	-	843,935
Accrued liabilities	195,866	-	867	-	4,380	201,113
Refund credits payable	1,756,081	-	-	-	-	1,756,081
Accrued interest payable	129,093	523,046	-	-	-	652,139
Compensated absences	198,858	26,868	4,600	-	-	230,326
Unearned revenues	567,168	-	-	-	-	567,168
Due to Appomattox Regional Library System	-	-	-	-	20	20
Bonds payable	805,554	520,846	-	-	-	1,326,400
Total current liabilities	4,256,707	1,138,572	55,764	121,739	4,400	5,577,182
Noncurrent liabilities:						
Bonds payable, net of current portion	12,611,032	24,931,087	-	-	-	37,542,119
Net pension liability	2,554,673	357,519	50,066	-	-	2,962,258
OPEB liability	1,026,850	114,093	38,032	-	-	1,178,975
Compensated absences, net of current portion	26,519	3,734	619	-	-	30,872
Advance from Capital Projects Fund	-	-	-	-	4,593,300	4,593,300
Total noncurrent liabilities	16,219,074	25,406,433	88,717	-	4,593,300	46,307,524
Total liabilities	20,475,781	26,545,005	144,481	121,739	4,597,700	51,884,706
Deferred inflow of resources						
Pensions	784,245	109,755	15,370	-	-	909,370
Deferred charges on debt refunding	-	5,487	-	-	-	5,487
Total deferred inflows of resources	784,245	115,242	15,370	-	-	914,857
Net position						
Net investment in capital assets	16,733,202	8,559,504	31,156	-	5,903,134	31,226,996
Unrestricted	6,884,875	16,859,921	1,459,553	823,487	(4,268,373)	21,759,463
Total net position	$ 23,618,077	$ 25,419,425	$ 1,490,709	$ 823,487	$ 1,634,761	$ 52,986,459

The accompanying notes are an integral part of this statement.

Exhibit 8

City of Hopewell, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds					
	Hopewell Regional Wastewater Treatment Facilities Fund	Sewer Service Fund	Solid Waste Fund	Storm Water Fund	Beacon Theatre Fund	Total
OPERATING REVENUES						
Charges for services:						
Wastewater treatment revenues	$ 12,087,431	$ -	$ -	$ -	$ -	$ 12,087,431
Wastewater treatment credits issued	(2,360,357)	-	-	-	-	(2,360,357)
Sewer revenues	-	8,530,228	-	-	-	8,530,228
Refuse collection	-	-	2,161,514	-	-	2,161,514
Fees	-	-	-	19,600	-	19,600
Rental income	-	-	-	-	399,298	399,298
Other	9,470	287,524	-	-	-	296,994
Total operating revenues	9,736,544	8,817,752	2,161,514	19,600	399,298	21,134,708
OPERATING EXPENSES						
Personnel services	2,774,044	360,086	65,810	-	410,760	3,610,700
Fringe benefits	1,015,049	124,538	42,434	-	-	1,182,021
Contractual services	1,506,502	2,275,727	1,197,326	193,507	177,251	5,350,313
Administrative services	9,489	382,500	-	-	1,092	393,081
Materials and supplies	896,821	95,247	22,506	-	26,752	1,041,326
Repairs and maintenance	46,847	447,334	26,658	-	13,710	534,549
Utilities	1,557,162	127,957	9,217	-	31,879	1,726,215
Fuel	318,455	11,665	1,374	-	-	331,494
Insurance	-	-	-	-	12,803	12,803
Bad debts	197,847	1,884,928	608,232	-	-	2,691,007
Chemicals	1,247,805	-	-	-	-	1,247,805
Miscellaneous	334,146	924,962	39,607	2,686	192,327	1,493,728
Depreciation	1,024,538	1,379,248	7,427	-	185,718	2,596,931
Total operating expenses	10,928,705	8,014,192	2,020,591	196,193	1,052,292	22,211,973
Operating income (loss)	(1,192,161)	803,560	140,923	(176,593)	(652,994)	(1,077,265)
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	3,047	243,993	177	80	-	247,297
Tax credits	-	-	-	-	811,486	811,486
Governmental grants	18,047,639	-	-	-	-	18,047,639
Interest expense	(135,252)	(1,078,474)	-	-	-	(1,213,726)
Issuance costs	(391,071)	-	-	-	-	(391,071)
Total nonoperating revenues (expenses), net	17,524,363	(834,481)	177	80	811,486	17,501,625
Income (loss) before contributions and transfers	16,332,202	(30,921)	141,100	(176,513)	158,492	16,424,360
Capital contributions	5,445,162	-	-	-	-	5,445,162
Operating transfers in (out)	-	(1,000,000)	(502,000)	1,000,000	-	(502,000)
Total contributions and transfers, net	5,445,162	(1,000,000)	(502,000)	1,000,000	-	4,943,162
Change in net position	21,777,364	(1,030,921)	(360,900)	823,487	158,492	21,367,522
Total net position - beginning, as restated (Note 16)	1,840,713	26,450,346	1,851,609	-	1,476,269	31,618,937
Total net position - ending	$ 23,618,077	$ 25,419,425	$ 1,490,709	$ 823,487	$ 1,634,761	$ 52,986,459

The accompanying notes are an integral part of this statement.

Exhibit 9

City of Hopewell, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds					
	Hopewell Regional Wastewater Treatment Facilities Fund	Sewer Service Fund	Solid Waste Fund	Storm Water Fund	Beacon Theatre Fund	Total
Cash flows from operating activities						
Receipts from customers and users	$ 9,282,975	$ 5,650,382	$ 2,521,236	$ 19,600	$ 588,508	$ 18,062,701
Payments to suppliers	(4,609,208)	(4,693,282)	(1,913,354)	(74,454)	(458,915)	(11,749,213)
Payments to employees	(3,731,786)	(467,885)	(104,782)	-	(410,760)	(4,715,213)
Net cash provided by (used in) operating activities	941,981	489,215	503,100	(54,854)	(281,167)	1,598,275
Cash flow from noncapital financing activities						
Payments received from tax credit investors	-	-	-	-	811,486	811,486
Net cash provided by noncapital financing activities	-	-	-	-	811,486	811,486
Cash flows from capital and related financing activities						
Purchase of capital assets	(20,317,168)	(547,640)	(19,845)	-	(47,968)	(20,932,621)
Capital ocntributions and grants	21,778,144	-	-	-	-	21,778,144
Debt issuance	5,675,000	-	-	-	-	5,675,000
Principal payments on bonds and refunding	(665,000)	(480,000)	-	-	-	(1,145,000)
Interest payments	(89,312)	(1,081,957)	-	-	-	(1,171,269)
Issuance cost	(398,885)	-	-	-	-	(398,885)
Interfund note	(160,270)	(839,730)	(502,000)	1,000,000	-	(502,000)
Payments to other governmental unit	-	-	-	-	(175,529)	(175,529)
Advance from Capital Projects Fund	-	-	-	-	1,652	1,652
Net cash provided by (used in) capital and related financing activities	5,822,509	(2,949,327)	(521,845)	1,000,000	(221,845)	3,129,492
Cash flows from investing activities						
Interest and dividends received	3,047	262,320	165	74	-	265,606
Net cash provided by investing activities	3,047	262,320	165	74	-	265,606
Net increase (decrease) in cash and investments	6,767,537	(2,197,792)	(18,580)	945,220	308,474	5,804,859
Cash and investments - beginning, including restricted, as restated (Note 16)	8,023,445	18,834,498	1,428,160	-	9,862	28,295,965
Cash and investments - ending, including restricted	$ 14,790,982	$ 16,636,706	$ 1,409,580	$ 945,220	$ 318,336	$ 34,100,824
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	$ (1,192,161)	$ 803,560	$ 140,923	$ (176,593)	$ (652,994)	$ (1,077,265)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	1,024,538	1,379,248	7,427	-	185,718	2,596,931
Pension related	(105,721)	(9,314)	(2,073)	-	-	(117,108)
Other	239,877	(89,054)	-	-	-	150,823
(Increase) decrease in accounts receivable	(35,734)	(1,193,388)	359,722	-	189,210	(680,190)
Decrease in notes receivable	-	50,117	-	-	-	50,117
Decrease in inventories	15,764	-	-	-	-	15,764
Increase in prepaid items	-	-	-	-	(1)	(1)
Increase (decrease) in accounts payable and accrued liabilities	1,321,300	(451,954)	(2,899)	121,739	(3,100)	985,086
Increase in unearned revenues	(325,882)	-	-	-	-	(325,882)
Total adjustments	2,134,142	(314,345)	362,177	121,739	371,827	2,675,540
Net cash provided by (used in) operating activities	$ 941,981	$ 489,215	$ 503,100	$ (54,854)	$ (281,167)	$ 1,598,275

The accompanying notes are an integral part of this statement.

Exhibit 10

City of Hopewell, Virginia
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

	Agency Funds
Assets	
Cash and cash equivalents	$ 68,064
Total assets	$ 68,064
Liabilities	
Amounts held for Social Services clients	$ 68,064
Total liabilities	$ 68,064

The accompanying notes are an integral part of this statement.

Note 1—Summary of Significant Accounting Policies

The City of Hopewell, Virginia (the "City") was incorporated in 1916 and its current charter was granted in 1950. The City operates under a Council/Manager form of government and provides a full range of services to its citizens. These services include public safety (police and fire), public works, health and welfare services, parks, recreation, cultural education, community and economic development, and judicial and general administrative services. The City owns and operates sewer, wastewater, and solid waste treatment systems.

The financial statements of the City have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts ("APA") of the Commonwealth of Virginia (the "Commonwealth") and the accounting principles generally accepted in the United States of America ("GAAP"), as specified by the Governmental Accounting Standards Board ("GASB"). The more significant of the City's accounting policies are described below. Unless otherwise stated, the accounting policies of the School Board and Comprehensive Services Act Board Component Unit are similar to those of the City.

Financial Statement Presentation

The City's financial report is prepared in accordance with GAAP which prescribes that the following section be presented:

- Management's Discussion and Analysis - GAAP requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of management's discussion and analysis ("MD&A").

- Government-Wide and Fund Financial Statements

  Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

  The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Primary Government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from certain legally separate component units for which the Primary Government is financially accountable.

  Statement of Net Position - The Statement of Net Position is designed to display the financial position of the Primary Government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

  Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues as they are not levied for a particular program.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

- Required Supplementary Information ("RSI") - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another 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. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GAAP reporting model, governments provide budgetary comparison information in their annual reports including the original budget, final budget and actual results. In addition to budgetary information, the RSI section also presents trend information related to the City and School Board's pension and other postemployment employee benefit programs.

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 Government's reporting entity for the basic financial statements is financial accountability wherein the entity is both fiscally dependent on the Primary Government and provides either a benefit or creates a burden on the Primary Government. These financial statements present the City (Primary Government) and its component units. Each discretely presented component unit is reported in a separate column to emphasize that these units are legally separate from the City and each represents a functionally independent operation. These component units are fiscally dependent on the City and provide services primarily to the citizens of Hopewell.

B. Component Units

Blended:

During fiscal year 2012, the City formed a non-stock corporation named Beacon Theatre 2012 Manager Inc. ("Beacon"), which it owns 100%, to hold, construct, rehabilitate, manage, and operate the Beacon Theatre. Beacon Theatre 2012 Manager Inc. formed an LLC named Beacon Theatre 2012 LLC ("LLC"), which owns 99% of the LLC with the other 1% to be owned by future tax credit partner(s) when tax credits are sold. As the City appoints all members of the Beacon Theatre 2012 LLC Board of Directors, and the two entities have a financial benefit/burden relationship, the Beacon Theatre 2012 LLC is reported as a blended proprietary enterprise component unit of the City. Effective July 5, 2012, the City entered into a promissory note agreement with the Beacon Theatre 2012 LLC for up to $4.1 million to be used for building renovations. The twenty-four month loan bears interest at a fixed annual rate of 6.5%, and allows for one six-month extension and three, one-year extensions in addition to three executable and consecutive 25-year term extensions. Additionally, the City conveyed the related property to LLC for tax credit purposes during fiscal year 2013.

Discretely Presented:

The School Board members, appointed by the members of the City Council, are responsible for the operations of the City's School System within the City boundaries. The School Board is fiscally dependent on the City, which has the ability to approve its budget and any amendments. The primary funding of the School Board is from the General Fund of the City. As the School Board does not issue a separate financial report, the financial statements of the School Board are presented discretely in their own column within the City's government-wide financial statements.

The Comprehensive Services Act Board ("CSA") is responsible for providing family and youth services to the citizens of the City in accordance with the State Comprehensive Services Act. The CSA consists of members appointed by the City Council. The CSA is fiscally dependent on the City (i.e., the City Council must appropriate monies for this board to carry out its legal obligations), and the CSA has no power or authority to generate any revenue for its purposes required under state law. As the CSA does not issue a separate financial report, the financial statements of the CSA are presented discretely in their own column within the City's government-wide financial statements.

C. Other Related Organizations

Joint Ventures - The City is a participant with six other localities in a joint venture to operate the Riverside Regional Jail Authority (the "Authority"). The Authority is governed by a seven-member board comprised of one appointee from each locality. Each locality is obligated by contract to house its inmate population with the Authority up to its authorized slots. The City does not retain a financial interest in the Authority. Financial statements of the Authority can be obtained at its administrative offices at Superintendent, Riverside Regional Jail Authority, P.O. Box 1041, Hopewell, Virginia 23860.

The City is a participant with the County of Dinwiddie and County of Prince George in a joint venture to operate the Appomattox Regional Library (the "Library"). The Library is governed by an 11-member board comprised of five appointees from Hopewell and three each from Dinwiddie and Prince George. Each locality is obligated by contract to fund a percentage of the Library's approved budget. In accordance with the joint venture agreement, the City remitted $551,300 to the Library for fiscal year 2015. The City has an ongoing financial responsibility to fund the Library but does not retain a financial interest in the Library. Financial statements for the Library can be obtained at its administrative offices at 245 East Cawson Street, Hopewell, Virginia 23860.

Jointly Governed Organizations - The City participates with eight other localities in the District 19 Community Services Board. The City also participates with five other localities in Virginia's Gateway Region, a regional economic development organization. The City provided funding of $108,420 and $29,620, respectively, during fiscal year 2015 to these entities. The City also participates with six other localities in the Crater Youth Care Commission and provided funding in the amount of $263,192 during fiscal year 2015.

Related Organizations - The City is also responsible for appointing members of the boards of two organizations, but the City's accountability for these organizations does not extend beyond making these appointments. Related organizations during the year ended June 30, 2015 are Hopewell Industrial Development Authority and Hopewell Redevelopment and Housing Authority.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements are prepared in GAAP as 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 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 in the fiscal year when all eligibility requirements imposed by the provider have been satisfied. Fiduciary funds financial statements are reported on the accrual basis of accounting and do not measure operations.

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

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 City considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. All other revenues 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.

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 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the Commonwealth or public utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the Commonwealth or public 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 all eligibility requirements have been satisfied. 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.

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.

1. Governmental Funds - Governmental Funds are those through which most governmental functions typically are financed. The City reports the General, Capital Projects, and Virginia Public Assistance Funds as major governmental funds.

   General Fund - The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the School Board.

   Special Revenue Funds - Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of one major fund (Virginia Public Assistance) and three non-major funds (Recreation, Community Development Block Grant, and Anti-Litter). The Virginia Public Assistance Fund accounts for the Social Services programs of the City and is funded primarily through intergovernmental revenues.

   Capital Projects Fund - 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.

2. Proprietary Funds - The Proprietary Funds account for operations that are financed in a manner similar to that of private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

   Enterprise Funds - Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City's major Enterprise Funds consist of the following: Hopewell Regional Wastewater Treatment Facilities (HRWTF), Sewer Service, Solid Waste, Storm Water and the Beacon Theatre.

3. Fiduciary Funds - (Trust and Agency Funds) - These funds account for assets held by the City unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The City's only fiduciary fund is the Special Welfare Fund agency fund, which utilizes the accrual basis of accounting, and is not included in the government-wide financial statements. 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 City, these funds are not incorporated into the government-wide statements.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

F. Investments

Investments are stated at fair value, which approximates market. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

G. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds" (i.e. the current portions of the inter-fund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $501,000 at June 30, 2015 and is comprised solely of property taxes.

Real and Personal Property Tax Data

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

	Real Property	Personal Property
Levy	January 1	January 1
Due Date	June 15/December 5 (50% each date)	February 15
Lien Date	January 1	January 1

The City bills and collects its own property taxes. The City follows the practice of reassessing real estate biennially and personal property annually.

H. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements for the City and its component units. Capital assets are defined by the City as land, buildings, infrastructure, and equipment with an initial individual cost of more than $10,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Primary Government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings	50
Plant, equipment, and system	20-30
Motor vehicles	5
Equipment	3-10
Infrastructure	30

I. Deferred Outflows and Inflows of Resources

In addition to assets, the Balance Sheet and the Statement of Net Position may report a separate section for deferred outflows of resources, which represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources related to pensions in the government-wide and the Proprietary funds' Statement of Net Position resulting from pension contributions made subsequent to the measurement date.

In addition to liabilities, the Balance Sheet and the Statement of Net Position may report a separate section for deferred inflows of resources representing an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City reports deferred inflows of resources related to unearned and unavailable revenues on the Balance Sheet resulting from revenue that is not recognized solely because it is not yet considered to be available and property taxes received prior to the period they are intended to finance. Deferred inflows of resources in the government-wide and the Proprietary funds' Statement of Net Position represent amounts related to deferred charges on bond refundings and pensions resulting from changes in proportionate share of contributions, which are deferred and amortized over five years, and from pension experience and investment returns different than projected earnings, which are deferred and amortized over a period no greater than five years.

J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Pensions

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 City's Virginia Retirement System (VRS) participation and related additions to/deductions from the City's related net fiduciary position have been determined on the same basis as they were reported by the 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.

L. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. Fund Balance

In the governmental fund financial statements, fund balance may be composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The governmental fund types classify fund balances as follows:

- Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (e.g., inventory) or (b) legally or contractually required to be maintained intact (e.g., long-term amount of loans/note receivable). The noncurrent portion of the Capital Projects Fund's Due From School Board is offset equally by nonspendable fund balance to indicate that the asset does not constitute an expendable available financial resource and, therefore, is not available for appropriation.

- Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes by external parties, constitutional provisions, or imposed by creditors (e.g., bond covenants).

- Committed Fund Balance – This portion of fund balance can only be used for specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council, before the close of the fiscal year and by majority vote of the City Council. Any changes or removal of specific purpose requires majority action by the governing body.

- Assigned Fund Balance – The portion of fund balance that the City intends to use for specific purposes as expressed by the governing body itself, the budget document, or delegated official, the City Manager. Fund balances in the General Fund are assigned by resolution of the City Council. For all government funds except the General Fund, assigned fund balances represent the amount that is not committed, restricted, or nonspendable. Specifically, the Rainy Day Emergency/Stabilization Reserve was approved by Council in 2003 and was created by segregating a portion of the General Fund Unassigned Fund Balance. The purpose of this reserve is to provide an easy mechanism to tap reserves to address temporary revenue shortfalls resulting from temporary circumstances (e.g. economic cycles, weather-related emergencies, etc.). The City Council set the target at 10% of the next fiscal year's General Fund budget appropriation. The Rainy Day Emergency/Stabilization Reserve may be used in its entirety with City Council approval; however, replenishing the reserve will constitute the first priority for use of year-end fund balance in the General Fund.

- Unassigned Fund Balance – The portion of the fund balance available for any purpose. Includes all spendable amounts not classified as nonspendable, restricted, committed, or assigned. The General Fund is the only fund that would report a positive amount in the unassigned fund balance.

N. Net Position

Net position is the difference between assets and liabilities. Net investment in capital assets represents capital assets less accumulated depreciation less any outstanding debt related to the acquisition, construction, or improvement of those assets.

O. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

P. Inventory

Inventory is valued at cost using the weighted average method. Inventory consists of expendable supplies held for consumption and is recorded as expenditures when used (consumption method). In the Governmental Funds, inventory is equally offset by nonspendable fund balance which indicates that it does not constitute “currently expendable financial resources”.

Q. Restricted Assets

The City reported restricted assets on the Balance Sheet in a governmental fund that represents bond proceeds that have not been spent at June 30, 2015 in accordance with the terms of the bond. These assets, in the amount of $8,941,242 are to be used to fund future City public improvements.

R. Change in Accounting Principle

Effective July 1, 2014, the City and School Board adopted the provisions of the governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (Statement No. 68) and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* (Statement No. 71). This implementation required the recognition of a net pension liability for each qualified pension plan in which an entity participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan. Changes in the net pension liability during the period are recorded as pension expense or as deferred inflows or deferred outflows of resources, depending on the nature of the change, in the period incurred. As a result, the adoption of this guidance required a restatement of net position was required, as described in Note 16.

Note 2—Deposits and Investments

A. Deposits

All cash of the Primary Government and its discretely presented component units is maintained in accounts collateralized in accordance with the *Virginia Security for Public Deposits Act*, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

B. 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, bankers' acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool ("LGIP").

C. Credit Risk of Debt Securities

The City's rated debt investments as of June 30, 2015 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The City's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed 35% of the investment portfolio.

D. External Investment Pools

The State Non-Arbitrage Pool ("SNAP") is an open-end management investment company registered with the Securities and Exchange Commission ("SEC"). The fair value of the positions in the Local Government Investment Pool ("LGIP") is the same as the value of the pool shares. As this pool is not SEC-registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

City's Rated Debt Investment Values

		Fair Quality Ratings					
Investment Type	**Total**	**AAA**	**AAAm**	**AA**	**AA+**	**AA-**	**Not Rated**
LGIP	$ 15,196,152	$ -	$ 15,196,152	$ -	$ -	$ -	$ -
SNAP	5,497,191	-	5,497,191	-	-	-	-
U.S. Government Issues	5,029,179	-	-	-	1,285,116	-	3,744,063
Municipal/Public Bonds	260,507	60,014	-	-	50,059	-	150,434
Corporate Bonds	1,169,019	-	66,175	439,188	471,921	191,735	-
Total	$ 27,152,048	$ 60,014	$ 20,759,518	$ 439,188	$ 1,807,096	$ 191,735	$ 3,894,497

		Investment Maturities (in Years)	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
U.S. Government Issues	$ 5,029,179	892,054	$ 4,137,125
Municipal/Public Bonds	260,507	260,507	-
Corporate Bonds	1,169,019	826,605	342,414
Total	$ 6,458,705	$ 1,979,166	$ 4,479,539

E. Interest Rate Risk

According to the City's investment policy, at no time shall securities with maturity dates in excess of six months exceed 10% of the total budget of the City for the current fiscal year.

Note 3—Due from Other Governments

At June 30, 2015, the City had receivables from other governments as follows:

	General Fund	VPA Fund	HRWTF Fund	Primary Government	Component Unit School Board	Component Unit CSA Board
Commonwealth of Virginia:						
Local sales tax	$ 338,533	$ -	$ -	$ 338,533	$ -	$ -
Communications tax	138,044	-	-	138,044	-	-
E-911 wireless funds	8,954	-	-	8,954	-	-
VPA funds	-	262,178	-	262,178	-	-
State sales tax	-	-	-	-	690,088	-
Consumption and utility tax	50,233	-	-	50,233	-	-
Department of Environmental Quality	-	-	1,714,657	1,714,657	-	-
Constitutional officer reimbursements	100,569	-	-	100,569	-	-
Court fines and fees	64,388	-	-	64,388	-	-
Comprehensive service	-	-	-	-	-	1,760,284
Federal Government:						
School food grants	-	-	-	-	77,236	-
Public Service Grant	23,585	-	-	23,585	-	-
School fund grants	-	-	-	-	33,342	-
Total due from other governments	$ 724,306	$ 262,178	$1,714,657	$2,701,141	$ 800,666	$1,760,284

Note 4—Interfund Obligations

At June 30, 2015, CDBG Fund owed the General Fund $85,241.

The outstanding balances between funds result mainly from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditure occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

At June 30, 2015, the Beacon Theatre Fund owed the Capital Projects Fund $4,593,300 related to a promissory note entered into by the City and the blended component unit for the renovation of the Beacon Theatre. See Note 1(B) for further discussion.

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Note 5—Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2015:

	Balance July 1, 2014 As Restated *	Increase	Decrease	Balance June 30, 2015
Government Activities:				
Capital assets not subject to depreciation:				
Land	$ 6,622,991	$ -	$ -	$ 6,622,991
Work in progress	605,697	2,191,149	-	2,796,846
Total capital assets not subject to depreciation	7,228,688	2,191,149	-	9,419,837
Capital assets subject to depreciation:				
Buildings, improvements, and infrastructure	43,863,710	1,048,654	-	44,912,364
Machinery and equipment	11,311,257	551,925	(297,847)	11,565,335
Jointly-owned assets	34,338,838	-	(461,614)	33,877,224
Total capital assets being depreciated	89,513,805	1,600,579	(759,461)	90,354,923
Less accumulated depreciation for:				
Buildings, improvements, and infrastructure	(15,198,616)	(1,385,838)	-	(16,584,454)
Machinery and equipment	(7,598,113)	(828,994)	297,847	(8,129,260)
Jointly-owned assets	(7,276,252)	(439,425)	-	(7,715,677)
Total accumulated depreciation	(30,072,981)	(2,654,257)	297,847	(32,429,391)
Total capital assets being depreciated, net	59,440,824	(1,053,678)	(461,614)	57,925,532
Capital assets, net	$ 66,669,512	$ 1,137,471	$ (461,614)	$ 67,345,369

Component Unit - School Board	Balance July 1, 2014 As Restated *	Increase	Decrease	Balance June 30, 2015
Government Activities:				
Capital assets not subject to depreciation:				
Land	$ 474,629	$ -	$ -	$ 474,629
Total capital assets not subject to depreciation	474,629	-	-	474,629
Capital assets subject to depreciation:				
Buildings and improvements	62,839,591	131,258	-	62,970,849
Machinery and equipment	6,709,972	860,028	(118,400)	7,451,600
Jointly-owned assets	(34,338,838)	-	461,614	(33,877,224)
Total capital assets being depreciated	35,210,725	991,286	343,214	36,545,225
Less accumulated depreciation for:				
Buildings and improvements	(14,574,253)	(780,399)	-	(15,354,652)
Machinery and equipment	(3,657,763)	(401,956)	113,900	(3,945,819)
Jointly-owned assets	7,276,252	439,425	-	7,715,677
Total accumulated depreciation	(10,955,764)	(742,930)	113,900	(11,584,794)
Total capital assets being depreciated, net	24,254,961	248,356	457,114	24,960,431
Capital assets, net	$ 24,729,590	$ 248,356	$ 457,114	$ 25,435,060

* See Footnote 16 for further detail.

Depreciation expense was charged to functions/programs/funds as follows:

Governmental Activities:	
General government administration	$ 909,866
Judicial administration	239,290
Public safety	503,071
Public works	536,143
Health and welfare	113,269
Education	201,681
Parks, recreation, and cultural	150,937
Total governmental activities	$ 2,654,257
Component Unit: School Board	$ 742,930

Under Section 15 of *The Code of Virginia 1950*, as amended, local governments have a "tenancy in common" with the School Board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the City for the year ended June 30, 2015, is School-financed assets in the amount of $26,161,547 being reported by the Primary Government for financial reporting purposes.

A summary of changes in proprietary fund capital assets for the year ended June 30, 2015 follows:

Sewer Service Fund	**Balance July 1, 2014**	**Increase**	**Decrease**	**Balance June 30, 2015**
Capital assets not subject to depreciation:				
Land	$ 97,920	$ -	$ -	$ 97,920
Work in progress	2,744,458	-	(2,744,458)	-
Total capital assets not subject to depreciation	2,842,378	-	(2,744,458)	97,920
Capital assets subject to depreciation:				
Utility plant in service	501,878	-	-	501,878
Machinery and equipment	899,308	-	-	899,308
Sewer main improvements	33,327,070	3,292,098	-	36,619,168
Total capital assets being depreciated	34,728,256	3,292,098	-	38,020,354
Less accumulated depreciation for:				
Utility plant in service	(491,577)	(2,575)	-	(494,152)
Machinery and equipment	(792,442)	(30,014)	-	(822,456)
Sewer main improvements	(5,185,173)	(1,346,659)	-	(6,531,832)
Total accumulated depreciation	(6,469,192)	(1,379,248)	-	(7,848,440)
Total capital assets being depreciated, net	28,259,064	1,912,850	-	30,171,914
Sewer Service Fund, net	$ 31,101,442	$ 1,912,850	$ (2,744,458)	$ 30,269,834

Solid Waste Fund	Balance July 1, 2014	Increase	Decrease	Balance June 30, 2015
Capital assets subject to depreciation:				
Machinery and equipment	$ 31,230	$ 19,845	$ -	$ 51,075
Less accumulated depreciation for:				
Machinery and equipment	(12,492)	(7,427)	-	(19,919)
Solid Waste Fund capital assets, net	$ 18,738	$ 12,418	$ -	$ 31,156

HRWTF	Balance July 1, 2014	Increase	Decrease	Balance June 30, 2015
Capital assets not subject to depreciation:				
Land	$ 216,026	$ -	$ -	$ 216,026
Construction in progress	904,178	20,707,926	-	21,612,104
Total capital assets not subject to depreciation	1,120,204	20,707,926	-	21,828,130
Capital assets subject to depreciation:				
Utility plant in service	10,484,614	18,622	-	10,503,236
Machinery and equipment	53,420,734	36,895	-	53,457,629
Total capital assets being depreciated	63,905,348	55,517	-	63,960,865
Less accumulated depreciation for:				
Utility plant in service	(8,808,459)	(109,063)	-	(8,917,522)
Machinery and equipment	(51,407,307)	(915,475)	-	(52,322,782)
Total accumulated depreciation	(60,215,766)	(1,024,538)	-	(61,240,304)
Total capital assets being depreciated, net	3,689,582	(969,021)	-	2,720,561
HRWTF Fund capital assets, net	$ 4,809,786	$ 19,738,905	$ -	$ 24,548,691

Beacon Theatre Fund	Balance July 1, 2014	Increase	Decrease	Balance June 30, 2015
Capital assets not subject to depreciation:				
Land	$ 284,473	$ -	$ -	$ 284,473
Total capital assets not subject to depreciation	284,473	-	-	284,473
Capital assets subject to depreciation:				
Buildings	5,661,851	-	-	5,661,851
Machinery and equipment	282,809	47,968	-	330,777
Total cap assets being depreciated	5,944,660	47,968	-	5,992,628
Less accumulated depreciation for:				
Buildings	(150,216)	(145,481)	-	(295,697)
Machinery and equipment	(38,033)	(40,237)	-	(78,270)
Total accumulated depreciation	(188,249)	(185,718)	-	(373,967)
Total capital assets being depreciated, net	5,756,411	(137,750)	-	5,618,661
Beacon Theatre Fund capital assets, net	$ 6,040,884	$ (137,750)	$ -	$ 5,903,134

Note 6—Interfund Transfers

Interfund transfer for the year ended June 30, 2015 consisted of the following:

Fund	Transfers In	Tranfers Out
Primary Government:		
General	$ 502,000	$ 4,951,971
Capital Projects	3,039,500	-
Recreation	1,468,696	147,925
Virginia Public Assistance	591,700	-
Solid Waste	-	502,000
Storm Water	1,000,000	-
Sewer Service	(1,000,000)	-
	$ 5,601,896	$ 5,601,896

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 7—Long-term Obligations

A summary of changes in long-term obligations is as follows:

Primary Government:	Balance July 1, 2014 As Restated	Increases	Decreases	Balance June 30, 2015	Due Within One Year
Governmental Obligations:					
Incurred by City:					
General obligation bonds	$ 33,432,500	$ 15,455,075	$ (11,877,500)	$ 37,010,075	$ 1,277,663
Issuance premiums, net *	157,886	-	(78,746)	79,140	18,428
Claims, judgments, and compensated absences payable	990,359	1,286,550	(1,303,084)	973,825	900,640
Landfill closure liability	583,868	8,758	-	592,626	59,263
OPEB liability	4,899,178	1,174,396	(444,910)	5,628,664	-
Net pension liability *	18,712,047	7,134,900	(11,739,977)	14,106,970	-
Total incurred by City	58,775,838	25,059,679	(25,444,217)	58,391,300	2,255,994
Incurred for School Board:					
State Literary Loans payable	3,021,800	-	(474,200)	2,547,600	474,200
General obligation bonds payable	24,040,787	3,754,925	(4,203,111)	23,592,601	1,455,508
Total incurred for School Board	27,062,587	3,754,925	(4,677,311)	26,140,201	1,929,708
Total Government Obligations	$ 85,838,425	$ 28,814,604	$ (30,121,528)	$ 84,531,501	$ 4,185,702
Enterprise Obligations:					
Revenue bonds payable	$ 33,680,000	$ 5,675,000	$ (1,145,000)	$ 38,210,000	$ 1,300,000
Issuance premium	692,559	-	(34,040)	658,519	26,400
Claims, judgments, and compensated absences payable	249,290	324,005	(312,097)	261,198	230,326
OPEB liability	1,026,177	245,988	(93,190)	1,178,975	-
Net pension liability *	3,929,258	1,498,225	(2,465,225)	2,962,258	-
Total Enterprise Obligations	$ 39,577,284	$ 7,743,218	$ (4,049,552)	$ 43,270,950	$ 1,556,726

* See Footnote 16 for further discussion.

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

Year Ending June 30	City Obligations: General Obligation Bonds Payable	
	Principal	Interest
2016	$ 1,277,663	$ 1,034,652
2017	911,811	1,174,292
2018	1,081,466	1,140,045
2019	1,238,697	1,094,938
2020	1,546,003	1,040,894
2021-2025	9,145,591	4,258,473
2026-2030	11,164,521	2,574,318
2031-2035	8,804,323	973,046
2036-2040	1,840,000	93,250
Total	$ 37,010,075	$ 13,383,908

Year Ending June 30	School Obligations: State Literary Fund Loans		General Obligation Bonds Payable	
	Principal	Interest	Principal	Interest
2016	$ 474,200	$ 50,952	$ 1,455,508	$ 1,014,011
2017	474,200	41,468	1,657,440	1,038,080
2018	474,200	31,984	1,549,785	1,015,345
2019	375,000	22,500	1,560,088	994,472
2020	375,000	15,000	1,675,870	970,723
2021-2025	375,000	7,500	8,502,953	4,441,144
2026-2030	-	-	4,386,625	2,038,547
2031-2035	-	-	2,580,679	319,552
2036-2040	-	-	223,653	11,638
Total	$ 2,547,600	$ 169,404	$ 23,592,601	$ 11,843,512

Year Ending June 30	Enterprise Obligations: Revenue Bonds Payable	
	Principal	Interest
2016	$ 1,300,000	$ 1,647,852
2017	1,330,000	1,610,892
2018	1,375,000	1,571,124
2019	1,410,000	1,528,010
2020	1,460,000	1,481,615
2021-2025	7,125,000	6,600,765
2026-2030	5,235,000	5,257,032
2031-2035	5,830,000	4,011,169
2036-2040	7,410,000	2,441,647
2041-2045	5,735,000	564,081
Total	$ 38,210,000	$ 26,714,187

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Details of long-term indebtedness are as follows:

General Obligations:

Incurred for City:

General Obligation Bonds:

$13,730,000 general obligation public improvement bond Series 2008A, payable in various annual installments through July 15, 2034; interest payable semi-annually at 4.63%.	$	2,890,000
$4,480,000 general obligation public improvement bond, Series 2008B, payable in various annual installments through July 15, 2034; interest payable semi-annually at 5.25%.		3,415,000
$5,000,000 general obligation payable Series 2009A, payable in various semi-annual installments through July 15, 2034; interest payable semi-annually at various coupon rates from 3.00% to 5.88%.		1,265,000
$2,155,000 general obligation payable Series 2009B, payable in various semi-annual installments through July 15, 2034; interest payable semi-annually at various coupon rates from 4.00% to 5.00%.		2,155,000
$2,380,000 general obligation payable Series 2011, payable in various semi-annual installments through May 1, 2022; interest payable semi-annually at various coupon rates from 2.00% to 3.75%.		970,000
$2,265,000 general obligation payable Series 2013A, payable in various annual installments through May 15, 2028; interest payable semi-annually at 2.10%.		2,265,000
$895,000 general obligation payable Series 2013B, payable in various semi-annual installments through July 15, 2028; interest payable semi-annually at 3.63%.		895,000
$7,700,000 general obligation payable Series 2013C, payable in various semi-annual installments through May 1, 2022; interest payable semi-annually at 2.50%.		7,700,000
$2,500,000 general obligation payable Series 2015A, payable in various annual installments through January 15, 2030; interest payable semi-annually at 2.275%.		2,500,000
$12,955,075 general obligation payable Series 2015B, payable in various annual installments through July 15, 2034; interest payable semi-annually at 2.87%.		12,955,075
Total General Obligation Bonds		37,010,075
Issuance premium		79,140
Landfill closure liability (payable from the General Fund)		592,626
Compensated absences (payable from the General Fund)		973,825
OPEB liability (payable from the General Fund)		5,628,664
Net pension liability (payable from the General Fund)		14,106,970
Total Incurred by City	$	58,391,300

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Primary Government: (Continued)

Details of long-term indebtedness are as follows:

Incurred for School Board:

State Literary Fund Loans:	
$209,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of $10,450 through 2017; interest payable annually at 2%.	$ 31,350
$939,000 State Literary Fund Loan issued September 26, 1997, due in annual installments of $46,950 through 2017; interest payable annually at 2%.	140,850
$239,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of $11,950 through 2017; interest payable annually at 2%.	35,850
$597,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of $29,850 through 2017; interest payable annually at 2%.	89,550
$7,500,000 State Literary Fund Loan issued May 15, 2001, due in annual principal installments of $375,000 through 2021; interest payable annually at 2%.	2,250,000
Total State Literary Fund Loans	2,547,600
Virginia Public School Authority (VPSA) Subsidy and Other Bonds:	
$4,862,705 VPSA Subsidy Bonds issued 2001, due in annual installments of varying amounts through 2021; interest payable annually at varying rates 3.10% - 5.35%.	1,966,957
$858,896 VPSA Subsidy Bonds issued in 2005, due in annual installments of varying amounts through 2025; interest payable annually at varying rates 4.60% - 5.10%.	523,731
$2,800,000 General Obligation Qualified Zone Academy Bond issued in 2009, due in annual installments of $186,667 through 2024; interest payable annually at 1.83%.	1,845,321
$7,635,000 VPSA Subsidy Bonds issued 2010, due in annual installments of varying amounts through June 1, 2027; interest payable semi-annually at 0.092%.	6,870,000
$5,000,000 general obligation payable Series 2009A, payable in various semi-annual installments through July 15, 2034; interest payable semi-annually at various coupon rates from 3.00% to 5.87%.	1,265,000
$5,000,000 VPSA Subsidy Bonds issued 2011, due in annual installments of varying amounts through June 1, 2027; interest payable semi-annually at 4.50%.	4,666,667
$2,700,000 General Obligation issued in 2011, due in annual installments of varying amounts through June 20, 2036; interest payable semi-annually at 2.00% - 5.00%.	2,700,000
$3,754,925 General Obligation payable Series 2015B split with the City, due in annual installments of varying amounts through July 15, 2034; interest payable semi-annually at 2.87%.	3,754,925
Total Virginia Public Authority School Subsidy and Other Bonds	23,592,601
Total Incurred for School Board	$ 26,140,201

On June 29, 2015, the City issued a $16,710,000 General Obligation Public Improvement Refunding Bond, Series 2015B, with a true interest cost of 2.87%. The City issued these refunding bonds to advance refund a portion of the City's outstanding Series 2008A General Obligation Public Improvement Refunding Bonds and Series 2009A General Obligation Public Improvement Bonds, as well as to pay a portion of the costs of issuance associated with this transaction. The City issued these refunding bonds in order to reduce its annual debt service expenditures. Due to the refunding, overall aggregate debt service payments were reduced by $2,033,448. In addition, this resulted in an economic gain of $1,547,022.

Enterprise Obligations:

Revenue Bond Obligations:	
$8,640,000 revenue bond issued December 1, 2005, payable in various annual installments through October 1, 2025; interest payable semi-annually at varying rates 3.64% - 4.85%.	$ 5,630,000
$2,790,000 revenue bond issued August 1, 2012, payable in various annual installments through October 1, 2021; interest payable semi-annually at varying rates 2.135% - 2.38%.	2,105,000
$4,160,000 Sewer System revenue bond issued December 2, 2010, payable in various annual installments through July 15, 2025; interest payable semi-annually at 2.88% - 3.38%.	4,000,000
$18,210,000 Sewer System bond issued December 7, 2011, payable in various annual installments through July 15, 2042; interest payable semi-annually at 2% - 5%.	18,030,000
$3,385,000 Sewer System bond issued December 7, 2011, payable in various annual installments through July 15, 2022; interest payable semi-annually at 1.25% - 3.75%.	2,770,000
$5,675,000 Series 2014, revenue bond payable in various annual installments through October 1, 2044; interest payable semi-annually at 2.00% - 4.00%.	5,675,000
Total Revenue Bond Obligations	38,210,000
Issuance premium	658,519
Compensated absences (Payable from the Enterprise Funds)	261,198
OPEB liability (Payable from the Enterprise Funds)	1,178,975
Net pension liability (Payable from the Enterprise Funds)	2,962,258
Total Enterprise Obligations	$ 43,270,950
Advance from Capital Projects Fund	$ 4,593,300

Component Unit School Board:

The following is a summary of long-term debt transactions of the Component Unit School Board for the year ended June 30, 2015:

	Balance July 1, 2014 As Restated	Increases	Decreases	Balance at June 30, 2015	Due Within One Year
Claims, judgments and compensated absences payable	$ 668,563	$ -	$ (18,701)	$ 649,862	$ 216,621
OPEB liability	1,104,138	260,217	(143,300)	1,221,055	269,686
Net pension liability *	45,924,126	-	(6,703,015)	39,221,111	-
Note Payable to the City	1,711,123	-	(105,418)	1,605,705	110,432
	$ 49,407,950	$ 260,217	$ (6,970,434)	$ 42,697,733	$ 596,739

Amounts are payable from the School Operating Fund.

* See Footnote 16 for further discusion.

Note 8—Reporting Entity Transactions

During fiscal year 2012, City Council approved a budget resolution to advance the School Board $1,912,428 for energy conservation improvements. The School Board will repay the City over 15 years. The effective interest rate on the loan is 8.7%. At June 30, 2015, $1,605,705 of the loan was still outstanding.

Note 9—Landfill Post-Closure Costs

In October 1993, the City discontinued accepting solid waste at its landfill. In conjunction with the closing of the landfill, an environmental engineering firm was engaged to devise a closure plan in accordance with federal and state regulations. During fiscal year 2002, the City received a closing permit; however, the time period for maintaining the site has been extended through 2022. Total estimated costs of maintaining the site for this period is $592,626. The total current cost of landfill post closure care is an estimate subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

The City demonstrates its financial assurance requirements closure, post-closure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the *Virginia Administrative Code*.

Note 10—Unearned and Unavailable Revenues

Unearned revenues represent amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Unearned revenues reported in governmental funds were comprised of the following:

General Fund Unearned Property Tax Revenue: Tax payments due in December that are not yet earned totaled $11,000,027 at June 30, 2015.

School Board Unearned Revenue: Unearned state and federal grants totaled $31,004 at June 30, 2015.

Unavailable revenues are resource inflows that represent amounts earned, but which are not available to liquidate liabilities of the current period. Unavailable revenues reported in governmental funds were comprised of the following:

General Fund Unavailable Tax Revenues: Uncollected tax billings not available for funding of current expenditures totaled $1,918,598 at June 30, 2015.

Note 11—Commitments, Contingencies, and Subsequent Event

Federal programs in which the City and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular, all major programs will be tested for compliance with applicable grant requirements and reported upon under separate reporting. Even if no matters of noncompliance are disclosed by 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.

On December 16, 2010, the City was informed by the United States Environmental Protection Agency ("EPA") that the Hopewell Regional Wastewater Treatment Facility (the "Facility") was in violation of the Clean Air Act for 32 days during January and February of 2010. The Facility is potentially subject to a $37,500 administrative penalty and a $37,500 civil action for injunctive relief and/or civil penalties for each day in violation. On September 30, 2016, the City signed two consent agreements – one for Clean Water Act violations and one for Clean Air Act violations. The total amount of penalties paid to EPA was $150,000, which was paid to the federal government in October 2016. The cost of the penalty was billed to each of the five other Facility Commission members. The consent agreement expires on September 30, 2017.

Note 12—Litigation

At June 30, 2015, there were no matters of litigation involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to such entities.

Note 13—Pension Plans

A. Plan Description

All full-time, salaried permanent employees of the City and salaried permanent (nonprofessional) employees of the School Board are automatically covered by VRS Retirement Plan upon employment. All full-time, salaried permanent (professional) employees of the School Board are automatically covered by the VRS Teacher Retirement Plan, a cost-sharing multiple employer defined benefit plan, upon employment. Both plans are 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 are paying contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a 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 a 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:

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for 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.	The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members"). • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

		• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. Hybrid Opt-In Election 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.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election 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.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • School division 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.
Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. The School Board elected to phase in the required 5% member contribution; all employees have paid the full 5% by July 1, 2014. 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 VRS Plan 1.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and employer to both the defined benefit and defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	Creditable Service Same as Plan 1.	Creditable Service Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. Defined Contributions Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be

		eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
<u>Calculating the Benefit</u> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	<u>Calculating the Benefit</u> See definition under Plan 1.	<u>Calculating the Benefit</u> Defined Benefit Component: See definition under Plan 1. Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
<u>Average Final Compensation</u> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	<u>Average Final Compensation</u> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	<u>Average Final Compensation</u> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.	Service Retirement Multiplier Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	Service Retirement Multiplier Defined Benefit Component: The retirement multiplier for the defined benefit component is 1.00%. For members that 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. Defined Contribution Component: Not Applicable.
Normal Retirement Age Age 65.	Normal Retirement Age Normal Social Security retirement age.	Normal Retirement Age Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	Earliest Unreduced Retirement Eligibility Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	Earliest Reduced Retirement Eligibility Age 60 with at least five years (60 months) of creditable service.	Earliest Unreduced Retirement Eligibility Defined Benefit Component: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

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%.	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%.	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable.
Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	Eligibility: Same as Plan 1	Eligibility: Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	Exceptions to COLA Effective Dates: Same as Plan 1	Exceptions to COLA Effective Dates: Same as Plan 1 and Plan 2.

Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	Disability Coverage Employees of political subdivision and school divisions (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, which the School Board has elected to provide. 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 creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service Defined Benefit Component: Same as VRS Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the highest of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. Defined Contribution Component: Not applicable.

B. Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	City	Schools - Nonprofessional
Inactive members:		
Receiving benefits	256	61
Vested inactive members	54	7
Non-vested inactive members	82	51
Active elsewhere in VRS	158	16
Total inactive members	550	135
Active Members	325	93
Total covered employees	875	228

C. 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 the City and the School Board by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

VRS Retirement Plan

The City's contractually required contribution rate for the year ended June 30, 2015 was 15.45% of covered employee compensation. The School Board's non-professional plan contractually required contribution rate for the year ended June 30, 2015 was 11.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 3013. The actuarial rate for the City's plan and the School Board's non-professional plan were 15.45% and 11.95%, respectively.

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 were $2,023,774 and $1,649,427 for the years ended June 30, 2015 and June 30, 2014, respectively, and contribution to the pension plan from the School Board's non-professional plan were $213,125 and $159,179 for the years ended June 30, 2015 and June 30, 2014, respectively.

VRS Teacher Retirement Plan

Each School Board's professional plan contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined 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. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the school division were $3,362,153 and $2,676,054 for the years ended June 30, 2015 and June 30, 2014, respectively.

D. <u>Net Pension Liability</u>

VRS Retirement Plan

The City's and School Board's nonprofessional plan net pension liability was measured as of June 30, 2014. The Total Pension Liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. There were no changes in assumptions or benefit terms since the prior measurement period. Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions are allocated to funds based on their proportionate share of projected monthly benefits.

VRS Teacher Retirement Plan

At June 30, 2015, the School Board professional plan reported a liability of $37,926,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. There were no changes in assumptions or benefit terms since the prior measurement period. There were no changes between the measurement date of the collective net pension liability and the School Board's reporting date. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the School Board's proportion was .31383% as compared to .32065% at June 30, 2013.

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E. Actuarial Assumptions – General Employees

The total pension liability for the City and School Board was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, which were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012, and applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

	VRS General Employees	VRS Public Safety Employees	VRS School Board Teacher Retirement Plan Employees
• Investment Rate of Return, net of pension plan investment expense, including inflation	7.00%	7.00%	7.0%
• Inflation *	2.5%	2.5%	2.5%
• Projected Salary Increases	1.5% - 5.35%	3.5% - 4.75%	3.5% - 4.5%
• Mortality Rates (% of deaths assumed to be service related)	14%	60%	N/A

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

General City Employees:

- Pre-Retirement: RP-2000 Employee Mortality Table with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.
- Post-Retirement: RP-2000 Combined Mortality Table with Scale AA to 2020 with males set forward 1 year.

Public Safety Employees:

- Pre-Retirement: RP-2000 Employee Mortality Table with Scale AA to 2020 with males set forward 4 years and females set back 2 years.
- Post-Retirement: RP-2000 Combined Mortality Table with Scale AA to 2020 with males set forward 1 year.
- Post-Disablement: RP-2000 Disability Life Mortality Table projected to 2020 with males set back 3 years and no provision for future mortality improvement.

Teacher Plan Employees:

- Pre-Retirement: RP-2000 Employee Mortality Table with Scale AA to 2020 with males set back 3 years and females set back 5 years.
- Post-Retirement: RP-2000 Combined Mortality Table with Scale AA to 2020 with males set back 2 years and females set back 3 years.
- Post-Disablement: RP-2000 Disability Life Mortality Table projected to 2020 with males set back 1 year and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions for the VRS Local Plans as a result of the experience study include updating mortality tables; decreasing rates of service retirement; decreasing rates of disability retirement; reducing rates of salary increases by 0.25% per year and increasing rates of withdrawals for 3 through 9 years of service.

F. 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:

	VRS Plans		
Asset Class	**Target Allocation**	**Arithmetic Long-Term Expected Rate of Return**	**Weighted Average Long-Term Rate of Return**
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	(1.50)%	(0.02)%
Total	100.00%		5.83%
Inflation			2.50%
** Expected arithmetic nominal return			8.33%

** Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

G. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia

General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

H. Changes in Net Pension Liability

	City		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2013	**$ 98,491,794**	**$ 75,850,489**	**$ 22,641,305**
Changes for the Year:			
Service cost	1,860,421	-	1,860,421
Interest	6,707,497	-	6,707,497
Contributions - employer	-	1,649,427	(1,649,427)
Contributions - employee	-	799,011	(799,011)
Net investment income	-	11,756,144	(11,756,144)
Benefit payments including refunds of employee contributions	(5,340,826)	(5,340,826)	-
Admininstrative expense	-	(65,207)	65,207
Other changes	-	620	(620)
Net Changes	3,227,092	8,799,169	(5,572,077)
Balances at June 30, 2014	**$ 101,718,886**	**$ 84,649,658**	**$ 17,069,228**

	School Board - Nonprofessional		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2013	**$ 7,754,961**	**$ 6,002,835**	**$ 1,752,126**
Changes for the Year:			
Service cost	185,137	-	185,137
Interest	524,469	-	524,469
Contributions - employer	-	159,179	(159,179)
Contributions - employee	-	88,108	(88,108)
Net investment income	-	924,453	(924,453)
Benefit payments including refunds of employee contributions	(525,083)	(525,083)	-
Admininstrative expense	-	(5,167)	5,167
Other changes	-	48	(48)
Net Changes	184,523	641,538	(457,015)
Balances at June 30, 2014	**$ 7,939,484**	**$ 6,644,373**	**$ 1,295,111**

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City Net Pension Liability	$ 29,572,097	$ 17,069,228	$ 6,600,399
School Board – Nonprofessional Net Pension Liability	2,107,056	1,295,111	603,522
School Board – Professional Net Pension Liability	55,690,000	37,926,000	23,300,000

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

VRS Retirement Plan

For the year ended June 30, 2015, the City and School Board nonprofessional plan recognized pension expense of $1,317,433 and $113,490, respectively. At June 30, 2015, the City and School Board nonprofessional plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments.	$ -	$ 5,240,000
Employer contributions subsequent to the measurement date	2,023,774	-
Total	$ 2,023,774	$ 5,240,000

	School Board - Nonprofessional	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments.	$ -	$ 411,326
Employer contributions subsequent to the measurement date	213,125	-
Total	$ 213,125	$ 411,326

$2,023,774 and $213,125 reported as deferred outflows of resources related to pensions resulting from the City and School Board, respectively, nonprofessional plans' contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	City	School Board - Nonprofessional
2016	$ 1,310,000	$ 102,831
2017	1,310,000	102,831
2018	1,310,000	102,831
2019	1,310,000	102,833
	$ 5,240,000	$ 411,326

VRS Teacher Retirement Plan

For the year ended June 30, 2015, the School Board professional plan recognized pension expense of $2,830,000. At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board - Professional	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments.	$ -	$ 5,629,000
Change in proportion and differences between employer contributions and proportionate share of contributions	-	770,000
Employer contributions subsequent to the measurement date	3,362,153	-
Total	$ 3,362,153	$ 6,399,000

$3,362,153 reported as deferred outflows of resources related to pensions resulting from the School Board professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	School Board - Professional
2016	$ 1,599,750
2017	1,599,750
2018	1,599,750
2019	1,599,750
	$ 6,399,000

K. Pension Plan Fiduciary Net Position

Detailed information about the VRS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14—Surety Bonds

The following Surety bonds are maintained by the City with Fidelity and Deposit Company of Maryland – Surety (Faithful Performance of Duty Schedule Position Bond):

Tamara J. Ward, Clerk of the Circuit Court	$ 1,075,000
Teresa L. Batton, Treasurer	$ 500,000
Debra A. Reason, Commissioner of the Revenue	$ 3,000
Luther H. Sodat, Sheriff	$ 30,000
The above constitutional officers and subordinate employees - blanket bond	$ 50,000

VSBA – Surety ($10,000): Dr. John Fahey, Superintendent of Schools, Monique Barnes, Clerk of School Board, Melody F. Bage, Deputy Clerk of School Board

Note 15—Postemployment Benefits Other Than Pensions

Plan Description

The City and the School Board each maintain a separate single employer defined benefit plan that offers eligible retirees postretirement health benefits if they retire directly from the City or Schools and are eligible to receive an early or regular retirement benefit from the VRS. Health benefits include medical coverage only for the City and medical, dental, and vision coverage for the School Board.

Funding Policy

The City of Hopewell contributes toward the retiree's healthcare costs based on the following schedule:

Group

A. Hired before July 1, 2003 and retired before January 1, 2004 with at least 15 years of service

B. Hired before July 1, 2003 and retired after January 1, 2004 with at least 15 years of service

C. Hired on or after July 1, 2004 with at least 11 years of service

D. Hired on or after July 1, 2008 with at least 5 years of service

	City Contribution		
Group	Retiree Only	Retiree and Spouse	Notes
A	$534	$948	Frozen contribution rate; will not change in future years
B	$553	N/A	2015 City contribution for a single active employee; will be adjusted in future years
C	Varies	N/A	Percentage of City contribution for a single active employee, based on years of services. See following table.
D	Varies	N/A	Percentage of City contribution for a single active employee based on years of services See table below:

Years of Service	Percentage of Premium
0 - 10	0%
11	40%
16 - 20	60%
21	80%

Years of Service	Percentage of Premium
0 - 5	$ 50 per month
6 - 10	$100 per month
11 - 20	$150 per month
21	$200 per month

Note that the City contribution is limited to the actual premium rate and is offset by any VRS health insurance credit received by the retiree.

A retiree eligible for a City contribution may receive the credit even if he or she is not enrolled in a City-sponsored plan. The contribution may be applied toward the cost of other coverage.

Each year, retirees participating in the City's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. The pre-Medicare retirees have a choice of three plans from United Healthcare: Choice Plan 049M, Choice Plan 044 and Choice Plus Plan 097M(POS). The majority of the participants are in Choice Plan 044. Medicare-eligible retirees and spouses must enroll In the Ovations AARP Medical Supplement Plan. Any City contribution for which the retiree is eligible will apply toward the Medicare Part D Premium in addition to the Ovations premium.

School Board professional retirees receive a $55 per month credit from the School Board towards their premium. Nonprofessional retirees receive $55 per month plus the amount of credit that they would have received from Virginia Retirement System Teachers Health Insurance Credit if they were eligible.

Pre-65 retirees may choose between four plans administered by Optima Health: two HMO HSA eligible plans, a PPO HSA eligible plan, and a co-pay plan. The Schools currently have 71 retirees without spouse coverage, 33 retirees with spouse coverage and 2 retirees with child coverage on their plan. The City has 68 retirees without spouse coverage and 31 retirees with spouse coverage participating in the plan.

Annual OPEB Cost and Net OPEB Obligation

The City and School Board's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"). The City and School Board have elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the City and School Board. The following table shows the components of the City and School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City and School Board's net OPEB obligation to the Retiree Health Plan:

	Primary Government	Component Unit School Board
Annual Required Contribution	$ 1,432,100	$ 262,400
Interest on Net OPEB obligation	207,387	38,645
Adjustment to annual required contribution	(219,103)	(40,828)
Annual OPEB cost (expense)	1,420,384	260,217
Contributions made	(538,100)	(143,300)
Increase in net OPEB obligation	882,284	116,917
Net OPEB obligation - beginning of year	5,925,355	1,104,138
Net OPEB obligation - end of year	$ 6,807,639	$ 1,221,055

The City and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
City:			
June 30, 2015	$ 1,420,384	37.88%	$ 6,807,639
June 30, 2014	1,121,075	46.32%	5,925,355
June 30, 2013	1,079,866	39.36%	5,323,549
School Board:			
June 30, 2015	$ 260,217	55.07%	$ 1,221,055
June 30, 2014	344,304	57.86%	1,104,138
June 30, 2013	330,178	42.61%	959,034

Funded Status and Funding Progress

As of June 30, 2015, the City's actuarial accrued liability for benefits was $16,739,300, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $16,787,600, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 99.71%.

As of June 30, 2015, the School Board's actuarial accrued liability for benefits was $2,994,800, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $22,015,900, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.60%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Pension and postemployment benefits plan funding requirements are based on the benefits provided under the terms of the plan in effect at the time of each annual valuation and on the pattern of sharing between the employer and the plan member at that point. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial calculations reflect a long-term perspective.

- *Actuarial Cost Method* - The cost method for valuation of liabilities used for this valuation is the Projected Unit Credit ("PUC") Actuarial Cost Method. A PUC accrued benefit is determined for each active member in the plan on the basis of the member's average final compensation projected to the assumed date of retirement and the member's creditable service at the valuation date. The actuarial liability for retirement benefits is the sum of the actuarial present value of the PUC accrued benefit of each active member. The normal cost for retirement benefits is the sum of the actuarial present value for the expected increase in the PUC accrued benefit during the plan year for each active member under the assumed retirement age.

  The actuarial liability and the normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's average final compensation to each assumed date of termination, disablement, or death. The actuarial liability and normal cost for the supplemental benefits are based upon the present value of the expected supplement expected to be paid to those covered employees attaining eligibility. The actuarial liability for inactive members is determined as the actuarial present value of the pension and supplemental benefits expected to be paid.

The difference between the actuarial liability and the actuarial value of the assets is the unfunded actuarial liability. The annual required contribution is the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liability over the amortization period. The amortization amount is determined as a level percent of payroll.

Additionally, the following simplifying assumptions were made:

- *Retirement Age for Active Employees* - Retirement age was estimated based on tables used for the VRS State Employees valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.
- *Mortality* - Life expectancies were based on mortality tables from the 1994 Group Annuity Mortality Tables for males and females with a one year setback in pre-retirement for males and females.
- *Inflation* - The assumed inflation rate is 2.5%.
- *Coverage Elections* - The actuary assumed that 70% of current actives of the Hopewell City Public Schools will elect medical coverage when they retire and that 30% of retirees who elect coverage will cover a spouse. The actuary assumed that 70% of current actives of the City of Hopewell will elect medical coverage when they retire and that 30% of retirees who elect coverage will cover a spouse.
- *Investment Rate of Return* - Based on the historical and expected returns of the City and School Board's short-term investment portfolio, a discount of 3.50% was used. In addition, the projected unit credit actuarial cost method was used.
- *Other Assumptions* include:
  - Payroll increases of 3.00% per year.
  - Health Care Cost Trend of:
    - Pre-65: 5.20% in 2015, 6.20% in 2016, and 7.00% in 2017, then graded to 4.40% over 73 years
    - Post-65: 6.20% in 2015, 6.80% in 2016, and 7.10% in 2017, then graded to 4.60% over 78 years 7.00% graded to 4.80% over 80 years.
  - The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a remaining amortization period at June 30, 2015 of 30 years

Note 16—Accounting Changes and Restatements

The City restated beginning net position for Governmental Activities, Business Activities and the School Board Component Unit due to a change in accounting principle from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No, 68*. These pronouncements changed the accounting and financial reporting requirements of pension obligations by reporting pension obligations not only in the note disclosure and required supplementary information sections, but also on the face of the basic financial statements. Accordingly, the beginning net pension liability and net position were restated as of July 1, 2014 (see reference to GAAP in following tables).

The City also restated certain prior year balances after identifying instances during fiscal year 2015 where activities in the previous fiscal years were inaccurately recorded within the general ledger and issued financial statements as follows:

A. Subsequent to the City's conversion of general ledger systems in September 2014, assets were identified that had been excluded from prior fiscal years' reported capital assets resulting in the restatement of the City's governmental activities' net position of $766,477. Additionally, it was determined that the City's prior calculations of jointly-owned assets with the School Board had incorrectly not taken into account all related outstanding debt resulting in the City's governmental activities recording an additional $4,567,500 (A-1) of net capital assets and net positon with an equal reduction in the School Board's corresponding allocation. Additionally, the School Board identified that certain buildings were over depreciated in prior years and reduced accumulated depreciation, and increased net position, at June 30, 2014 by $389,677 (A-2). The impact on the change in net position for the fiscal year ended June 30, 2014 was an increase of $352,499.

B. City Finance personnel determined that balances reported as prepaid bond principal at June 30, 2014 in the HRWTF and Sewer Service Funds, $491,414 and $478,964, respectively, were not City assets. However, the City noted unreported investments balances of $586,001 and $918,906, respectively, resulting in net increases of net position for HRWTF of $94,587 and Sewer of $439,942 at June 30, 2014, consistent with the impact on the change in net position for the fiscal year ended June 30, 2014.

C. City Finance personnel determined that HRWTF and Sewer Service Funds' accrued bond interest at June 30, 2014 was understated by $83,153 and $526,529, respectively, resulting in a reduction of net position for the funds at June 30, 2014, with the impact on the change in net position for the fiscal year ended June 30, 2014 being a decrease of $8,147 and an increase of $3,672, respectively. In addition, Sewer Fund debt principal outstanding was overstated by $86,585, resulting in a corresponding increase in net position at June 30, 2014, consistent with the impact on the change in net position for the fiscal year ended June 30, 2014.

D. City Finance personnel determined that the governmental activities' deferred inflows related to prior year refundings of debt were incorrectly calculated and presented in the 2014 CAFR. Accordingly, a deferred outflow of resources as of June 30, 2014 has been recorded in the amount of $348,199 to adjust the previously reported deferred inflow of resources of $121,999 for a total adjustment to net position of $470,198. Additionally, premiums related to governmental activities' general obligation bonds were overstated at June 30, 2014 by $72,196 resulting in an increase in net position at June 30, 2014 with an impact on the change in net position for the fiscal year ended June 30, 2014 of an increase of $13,617.

E. City Finance personnel determined that HRWTF Fund's refund credits issued to customers, but not yet exercised, at June 30, 2014 had not been accurately tracked such that the amount of the related liability at June 30, 2014 was overstated by $1,993,428, resulting in an increase in net position at June 30, 2014 by $1,993,428, with no impact on the change in net position for the fiscal year ended June 30, 2014.

F. The Sewer Service Fund's accounts receivable at June 30, 2014 included activity actually related to the HRWTF Fund. Accordingly, $107,519 of HRWTF Fund receivables and revenues, related to fiscal year 2014 and earlier, were reclassified from the Sewer Service Fund to the HRWTF Fund and net positon was decreased and increased, respectively, as of June 30, 2014, consistent with the $81,733 impact on the change in net position for the fiscal year ended June 30, 2014 for each fund.

G. City Finance personnel determined that the Beacon Theatre Fund's accrued liabilities at June 30, 2014 were overstated by $455,288, resulting in an increase in net position for the funds at June 30, 2014, consistent with the impact on the change in net position for the fiscal year ended June 30, 2014.

	Reference	Governmental Activities	Business-Type Activities	School Board
Net position, June 30, 2014 balance, as previously reported		$ 27,600,679	$ 32,801,799	$ 28,240,912
Change in GAAP pension accounting:				
Net Pension Liability	GAAP	(18,712,047)	(3,929,258)	(45,924,126)
Subsequent contributions made	GAAP	1,363,179	286,248	2,835,233
Capital assets reported in error	A	5,333,977	-	(4,327,265)
Prepaid bond principle reported in error	B	-	(970,378)	-
Investments reported in error	B	-	1,504,907	-
Accrued interest reported in error	C	-	(609,682)	-
Debt activity reported in error	C	-	86,585	-
Deferred flow of resources related to debt reported in error	D	470,198	-	-
Debt net premiums reported in error	D	72,196	-	-
Refunds payable reported in error	E	-	1,993,428	-
Recorded liabilities in error	G	-	455,288	-
Balance, as restated, June 30, 2014		$ 16,128,182	$ 31,618,937	$ (19,175,246)

		Proprietary Funds			
		HRWTF	Sewer Service	Solid Waste	Beacon Theatre
Net position, June 30, 2014 balance, as previously reported		$ 2,870,083	$ 26,997,553	$ 1,913,182	$ 1,020,981
Change in GAAP pension accounting:					
Net Pension Liability	GAAP	(3,388,613)	(474,234)	(66,411)	-
Subsequent contributions made	GAAP	246,862	34,548	4,838	-
Prepaid bond principle reported in error	B	(491,414)	(478,964)	-	-
Investments reported in error	B	586,001	918,906	-	-
Accrued interest reported in error	C	(83,153)	(526,529)	-	-
Deferred flow of resources related to debt reported in error	C	-	86,585	-	-
Refunds payable reported in error	E	1,993,428	-	-	-
Recorded revenues in error	F	107,519	(107,519)	-	-
Recorded liabilities in error	G	-	-	-	455,288
Balance, as restated, June 30, 2014		$ 1,840,713	$ 26,450,346	$ 1,851,609	$ 1,476,269

		Proprietary Funds	
		HRWTF	Sewer Service
Cash and investments including restricted, as previously reported, June 30, 2014		$ 7,437,444	$ 17,915,592
Investments reported in error	B	586,001	918,906
Cash and investments including restricted, as restated, June 30, 2014		$ 8,023,445	$ 18,834,498

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	Reference	June 30, 2014 Balance As Previously Reported	Adjustment	June 30, 2014 Balance As Restated
City Governmental Activities:				
Capital assets not subject to depreciation:				
Land		$ 6,622,991	$ -	$ 6,622,991
Work in progress	**A**	-	605,697	605,697
Total capital assets not subject to depreciation		6,622,991	605,697	7,228,688
Capital assets subject to depreciation:				
Buildings, improvements, and infrastructure	**A**	44,312,940	(449,230)	43,863,710
Machinery and equipment	**A**	10,209,823	1,101,434	11,311,257
Jointly-owned assets	**A-1**	29,696,617	4,642,221	34,338,838
Total capital assets being depreciated		84,219,380	5,294,425	89,513,805
Less accumulated depreciation for:				
Buildings, improvements, and infrastructure	**A**	(15,730,880)	532,264	(15,198,616)
Machinery and equipment	**A**	(6,574,425)	(1,023,688)	(7,598,113)
Jointly-owned assets	**A-1**	(7,201,531)	(74,721)	(7,276,252)
Total accumulated depreciation		(29,506,836)	(566,145)	(30,072,981)
Total capital assets being depreciated, net		54,712,544	4,728,280	59,440,824
Capital assets, net		$ 61,335,535	$ 5,333,977	$ 66,669,512
School Board Governmental Activities:				
Jointly-owned assets	**A-1**	$ (29,696,617)	$ (4,642,221)	$ (34,338,838)
Accumulated depreciation:				
Buildings, improvements, and infrastructure	**A-2**	$ (14,963,930)	$ 389,677	$ (14,574,253)
Jointly-owned assets	**A-1**	$ 7,201,531	$ 74,721	$ 7,276,252

	Reference	June 30, 2014 Balance As Previously Reported	Adjustment	June 30, 2014 Balance As Restated
City total long-term obligations		$ 67,198,574	$ 18,639,851	$ 85,838,425
	GAAP		18,712,047	
	D		(72,196)	

Note 17—Subsequent Event

On September 8, 2015, the Council approved Resolution No. 15-0001611 authorizing the sale of Taxable Sewer System Revenue Refunding Bonds, Series 2015, to be sold to the Virginia Resource Authority (VRA) in an amount not to exceed $5,900,000. The City issued these refunding bonds to advance refund a portion of the City's outstanding Series 2005C Taxable Sewer System Revenue Refunding Bond and Series 2014 Taxable Sewer System Revenue Refunding Bond, as well as to pay a portion of the costs of issuance associated with this transaction. On November 18, 2015, the City sold to the VRA its Taxable Sewer System Revenue Bond, Series 2015D, in the par amount of $5,445,000.

REQUIRED SUPPLEMENTARY INFORMATION

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Exhibit 11

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
General property taxes	$ 28,194,700	$ 28,194,700	$ 29,022,830	$ 828,130
Other local taxes	5,867,000	5,869,100	6,056,010	186,910
Permits, privilege fees, and regulatory licenses	86,500	146,500	230,893	84,393
Fines and forfeitures	1,701,800	1,701,800	1,545,064	(156,736)
Revenues from use of money and property	60,500	60,500	59,374	(1,126)
Charges for services	600,300	538,200	600,938	62,738
Miscellaneous	1,261,100	1,279,171	1,153,890	(125,281)
Recovered costs	382,500	382,500	382,500	-
Intergovernmental revenues:				
Commonwealth	6,316,500	6,316,500	6,655,860	339,360
Federal	318,600	339,122	119,299	(219,823)
Total revenues	44,789,500	44,828,093	45,826,658	998,565
EXPENDITURES				
Current:				
General government administration	3,153,000	4,023,222	4,034,781	(11,559)
Judicial administration	1,041,000	2,595,281	2,582,149	13,132
Public safety	12,693,000	14,088,410	13,545,791	542,619
Public works	3,916,000	4,218,292	4,290,647	(72,355)
Health and welfare	1,144,700	1,915,861	1,356,127	559,734
Education	13,100,000	13,100,000	13,122,800	(22,800)
Parks, recreation, and cultural	551,300	604,300	604,300	-
Community development	725,000	766,500	830,372	(63,872)
Nondepartmental	5,245,000	970,267	1,563,876	(593,609)
Total expenditures	41,569,000	42,282,133	41,930,843	351,290
Excess of revenues over expenditures	3,220,500	2,545,960	3,895,815	1,349,855
OTHER FINANCING USES				
Operating transfers in	502,000	502,000	502,000	-
Operating transfers out	(4,813,000)	(6,057,311)	(4,951,971)	1,105,340
Total other financing uses	(4,311,000)	(5,555,311)	(4,449,971)	1,105,340
Net change in fund balances	(1,090,500)	(3,009,351)	(554,156)	2,455,195
Fund balances - beginning	15,107,304	14,946,028	11,378,159	(3,567,869)
Fund balances - ending	$ 14,016,804	$ 11,936,677	$ 10,824,003	$ (1,112,674)

Exhibit 12

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Virginia Public Assistance Fund
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Commonwealth	$ 1,163,100	$ 1,163,100	$ 1,358,909	$ 195,809
Federal	2,061,200	2,061,200	2,199,813	138,613
Revenues from use of money and property	-	-	229	229
Total revenues	3,224,300	3,224,300	3,558,951	334,651
EXPENDITURES				
Current -				
Health and welfare				
Welfare and Social Services:				
Welfare Administration	$ 1,838,000	$ 1,838,000	$ 2,944,906	(1,106,906)
Public assistance	1,778,000	1,778,000	1,102,885	675,115
Purchased services	200,000	200,000	61,416	138,584
Total expenditures	3,816,000	3,816,000	4,109,207	(293,207)
Excess (deficiency) of revenues over (under) expenditures	(591,700)	(591,700)	(550,256)	41,444
OTHER FINANCING SOURCES				
Operating transfers in	591,700	591,700	591,700	-
Total other financing sources	591,700	591,700	591,700	-
Net change in fund balances	-	-	41,444	41,444
Fund balances - beginning	-	-	280,291	280,291
Fund balances - ending	$ -	$ -	$ 321,735	$ 321,735

Exhibit 13

City of Hopewell, Virginia
Schedule of Changes in City's Net Pension Liability and Related Ratios
For the Year Ended June 30, 2015

Total Pension Liability	
Service cost	$ 1,860,421
Interest	6,707,497
Benefit payments, including refunds of employee contributions	(5,340,826)
Net change in total pension liability	3,227,092
Plan total pension liability - beginning	98,491,794
Plan total pension liability - ending	$ 101,718,886
Plan fiduciary net position	
Contributions - employer	$ 1,649,427
Contributions - employee	799,011
Net investment income	11,756,144
Benefit payments, including refunds of employee contributions	(5,340,826)
Administrative expense	(65,207)
Other	620
Net change in plan fiduciary net position	8,799,169
Plan fiduciary net position - beginning	75,850,489
Plan fiduciary net position - ending	$ 84,649,658
Total net pension liability - ending	$ 17,069,228
Plan fiduciary net position as a percentage of total pension liability	83.22%
Covered employee payroll	$ 16,746,388
Net pension liability as a percentage of covered employee payroll	101.93%

Employer Contributions

Contractually required contribution	$ 2,023,774
Contributions in relation to contractually required contribution	2,023,774
Contribution excess	$ -
Covered employee payroll	$ 16,746,388
Contributions as a percentage of covered employee payroll	12.08%

Schedules are intended to show information for 10 years. Since 2015 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

Exhibit 14

City of Hopewell, Virginia
Schedule of Changes in School Board's Nonprofessional Net Pension Liability and Related Ratios
For the Year Ended June 30, 2015

Total Pension Liability		
Service cost	$	185,137
Interest		524,469
Benefit payments, including refunds of employee contributions		(525,083)
Net change in total pension liability		184,523
Plan total pension liability - beginning		7,754,961
Plan total pension liability - ending	$	7,939,484
Plan fiduciary net position		
Contributions - employer	$	159,179
Contributions - employee		88,108
Net investment income		924,453
Benefit payments, including refunds of employee contributions		(525,083)
Administrative expense		(5,167)
Other		48
Net change in plan fiduciary net position		641,538
Plan fiduciary net position - beginning		6,002,835
Plan fiduciary net position - ending	$	6,644,373
Total net pension liability - ending	$	1,295,111
Plan fiduciary net position as a percentage of total pension liability		83.69%
Covered employee payroll		1,761,986
Net pension liability as a percentage of covered employee payroll		73.50%

Employer Contributions

Contractually required contribution	$	213,125
Contributions in relation to contractually required contribution		213,125
Contribution excess	$	-
Covered employee payroll	$	1,761,986
Contributions as a percentage of covered employee payroll		12.10%

Schedules are intended to show information for 10 years. Since 2015 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

Exhibit 15

City of Hopewell, Virginia
Schedule of Employer's Proportionate Share of Net Pension Liability - School Board Professional Retirement Plan
For the Year Ended June 30, 2015

	2015
Proportionate of the net pension liability	0.31383%
Proportionate share of the net pension liability	$ 37,926,000
Covered employee payroll	22,938,444
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.48%
Plan fiduciary net position as a percentage of the total pension liability	70.88%

Note: The amounts presented have a measurement date of the previous fiscal year.

Employer Contributions

Contractually required contribution	$ 3,362,153
Contributions in relation to contractually required contribution	3,362,153
Contribution excess	$ -
Covered employee payroll	$ 22,938,444
Contributions as a percentage of covered employee payroll	14.66%

Schedules are intended to show information for 10 years. Since 2015 is the first year of this presentation, no other data is available. Additional years will be included as they become available.

Exhibit 16

City of Hopewell, Virginia
Schedule of Funding Progress for Retiree Health Insurance Plan
For the Year Ended June 30,

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Primary Government:						
City Health Plan:						
6/30/2015	$ -	$ 16,739,300	$ 16,739,300	0.00%	$ 16,787,600	99.71%
6/30/2013	-	15,563,800	15,563,800	0.00%	15,493,900	100.45%
6/30/2011	-	14,363,300	14,363,300	0.00%	14,355,500	100.05%
6/30/2008	-	20,991,293	20,991,293	0.00%	14,588,852	143.89%
Discretely Presented Component Unit:						
School Health Plan						
6/30/2015	$ -	$ 2,994,800	$ 2,994,800	0.00%	$ 22,015,900	13.60%
6/30/2013	-	3,216,300	3,216,300	0.00%	23,136,200	13.90%
6/30/2011	-	4,495,400	4,495,400	0.00%	24,583,200	18.29%
6/30/2008	-	3,377,368	3,377,368	0.00%	22,193,161	15.22%

Budgetary Data

The following procedures are used by the City in establishing the budgetary data reflected in the required supplementary information:

1. The City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least 60 days prior to the beginning of such fiscal year.

2. A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. After a public hearing, the City Council may change any item in the budget (other than debt service or items required by law). A budget resolution must be adopted by the City Council prior to June 30 or as soon thereafter as is practicable.

3. The City utilizes the budget resolution as a budgetary control whereby City Council adopts budgets for estimated revenues and expenditures on a departmental basis for the General Fund and Special Revenue Funds. Capital Projects Funds are budgeted on a project-length basis. Adopted budgets may be amended or superseded by action of City Council.

4. Appropriation control is maintained at the function level within individual funds. Appropriations lapse at year end. Encumbrances and reserved fund balances outstanding at year-end are re-appropriated in the succeeding year. Several supplemental appropriations were necessary during the fiscal year.

5. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Key Pension Assumptions

Actuarial cost method – Entry age normal cost method

Amortization method and period – Level percent closed, 30 years

Inflation rate – 2.5%

Projected salary increases (per annum, compounded annually) – City and Schools' General (1.5%-5.35%), City Safety (3.5%-4.75%), Schools' Professional (3.5%-4.5%)

Investment rate of return – 7.0% per annum, compounded annually

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OTHER SUPPLEMENTARY INFORMATION

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Exhibit 17

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2015

	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES			
Other local taxes	$ 2,550,000	$ 2,255,888	$ (294,112)
Intergovernmental revenues:			
Commonwealth	180,500	366,457	185,957
Revenues from use of money and property	10,000	18,034	8,034
Miscellaneous	125,000	177,467	52,467
Total revenues	2,865,500	2,817,846	(47,654)
EXPENDITURES			
Education	-	1,178,837	(1,178,837)
Capital projects	1,299,000	5,618,260	(4,319,260)
Debt service:			
Principal retirement	1,965,500	2,269,811	(304,311)
Interest and other fiscal charges	1,812,000	2,634,538	(822,538)
Total expenditures	5,076,500	11,701,446	(6,624,946)
Deficiency of revenues under expenditures	(2,211,000)	(8,883,600)	(6,672,599)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	2,220,500	3,039,500	819,000
Payments to escrow agent	-	(14,285,000)	(14,285,000)
Proceeds from issuance of bonds	-	19,210,000	19,210,000
Total other financing sources, net	2,220,500	7,964,500	5,744,000
Net change in fund balances	9,500	(919,100)	(928,600)
Fund balances - beginning	(799,998)	20,944,028	21,744,026
Fund balances - ending	$ (790,498)	$ 20,024,928	$ 20,815,426

Exhibit 18

City of Hopewell, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2015

	Recreation Fund	Community Development Block Grant Fund	Anti-Litter Fund	Total
Assets				
Cash and investments	$ 203,915	$ -	$ 14,937	$ 218,852
Receivables, net of allowance for uncollectibles	1,715	-	-	1,715
Total assets	205,630	-	14,937	220,567
Liabilities and fund balances				
Liabilities:				
Accounts payable	23,543	38	-	23,581
Accrued liabilities	27,530	-	-	27,530
Due to other funds	-	85,241	-	85,241
Total liabilities	51,073	85,279	-	136,352
Fund balances:				
Assigned	154,557	(85,279)	14,937	84,215
Total fund balances	154,557	(85,279)	14,937	84,215
Total liabilities and fund balances	$ 205,630	$ -	$ 14,937	$ 220,567

Exhibit 19

City of Hopewell, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2015

	Recreation Fund	Community Development Block Grant Fund	Anti-Litter Fund	Total
REVENUES				
Revenues from use of money and property	$ 15,738	$ -	$ 3	$ 15,741
Charges for services	145,507	-	-	145,507
Miscellaneous	38,986	-	-	38,986
Intergovernmental revenues:				
Commonwealth	22,246	-	4,105	26,351
Federal	5,306	19,116	-	24,422
Total revenues	227,783	19,116	4,108	251,007
EXPENDITURES				
Current:				
Public works	-	-	6,164	6,164
Parks, recreation, and cultural	1,641,789	-	-	1,641,789
Community development	-	38,256	-	38,256
Total expenditures	1,641,789	38,256	6,164	1,686,209
Deficiency of revenues under expenditures	(1,414,006)	(19,140)	(2,056)	(1,435,202)
OTHER FINANCING SOURCES				
Operating transfers in	1,468,696	-	-	1,468,696
Operating transfers out	(147,925)	-	-	(147,925)
Total other financing sources, net	1,320,771	-	-	1,320,771
Net change in fund balances	(93,235)	(19,140)	(2,056)	(114,431)
Fund balance - beginning	247,792	(66,139)	16,993	198,646
Fund balance - ending	$ 154,557	$ (85,279)	$ 14,937	$ 84,215

Exhibit 20

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Recreation Fund
For the Year Ended June 30, 2015

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenues from use of money and property	$ 26,500	$ 15,738	$ (10,762)
Charges for services	201,300	145,507	(55,793)
Miscellaneous	95,400	38,986	(56,414)
Intergovernmental revenues:			
Commonwelath	21,000	22,246	1,246
Federal	5,000	5,306	306
Total revenues	349,200	227,783	(121,417)
EXPENDITURES			
Current -			
Parks, recreation, and cultural	1,714,824	1,641,789	73,035
Total expenditures	1,714,824	1,641,789	73,035
Deficiency of revenues under expenditures	(1,365,624)	(1,414,006)	(48,382)
OTHER FINANCING SOURCES			
Operating transfers in	1,296,700	1,468,696	171,996
Operating transfers out	-	(147,925)	(147,925)
Total other financing sources, net	1,296,700	1,320,771	24,071
Net change in fund balances	(68,924)	(93,235)	(24,311)
Fund balances - beginning	37,738	247,792	210,054
Fund balances - ending	$ (31,186)	$ 154,557	$ 185,743

Exhibit 21

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Community Development Block Grant Fund
For the Year Ended June 30, 2015

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenues-			
Federal	$ 533,000	$ 19,116	$ (513,884)
Total revenues	533,000	19,116	(513,884)
EXPENDITURES			
Current -			
Community development	533,000	38,256	494,744
Total expenditures	533,000	38,256	494,744
Deficiency of revenues under expenditures	-	(19,140)	(19,140)
Fund balances - beginning	-	(66,139)	(66,139)
Fund balances - ending	$ -	$ (85,279)	$ (85,279)

Exhibit 22

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Anti-Litter Fund
For the Year Ended June 30, 2015

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenues from use of money and property	$ -	$ 3	$ 3
Intergovernmental revenues -			
Commonwealth	5,000	4,105	(895)
Total revenues	5,000	4,108	(892)
EXPENDITURES			
Current -			
Public works	5,000	6,164	(1,164)
Total expenditures	5,000	6,164	(1,164)
Deficiency of revenues under expenditures	-	(2,056)	(2,056)
Net change in fund balances	-	(2,056)	(2,056)
Fund balances - beginning	12,622	16,993	4,371
Fund balances - ending	$ 12,622	$ 14,937	$ 2,315

Exhibit 23

City of Hopewell, Virginia
Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Special Welfare Fund:				
Assets -				
Cash and cash equivalents	$ 81,438	$ 43,098	$ 60,385	$ 64,151
Liabilities -				
Amounts held for social services clients	$ 81,438	$ 43,098	$ 60,385	$ 64,151
Healthy Families Fund:				
Assets -				
Cash and cash equivalents	$ 4,576	$ 149,937	$ 150,600	$ 3,913
Liabilities -				
Amounts held for social services clients	$ 4,576	$ 149,937	$ 150,600	$ 3,913
Total Agency Fund:				
Assets -				
Cash and cash equivalents	$ 86,014	$ 193,035	$ 210,985	$ 68,064
Liabilities -				
Amounts held for social services clients	$ 86,014	$ 193,035	$ 210,985	$ 68,064

Exhibit 24

City of Hopewell, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2015

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Building and Bus Replacement Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 5,130,967	$ 1,011,733	$ 796,028	$ 617,049	$ 7,555,777
Receivables, net of allowance for uncollectibles	27,334	4,262	-	-	31,596
Due from other funds	-	-	-	1,055,263	1,055,263
Due from other governmental units	723,430	77,236	-	-	800,666
Inventories	-	53,131	-	-	53,131
Total assets	5,881,731	1,146,362	796,028	1,672,312	9,496,433
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	254,866	1,209	-	-	256,075
Accrued liabilities	4,571,602	97,643	-	-	4,669,245
Due to other funds	1,055,263	-	-	-	1,055,263
Unearned revenues	-	31,004	-	-	31,004
Total liabilities	5,881,731	129,856	-	-	6,011,587
Fund balances:					
Nonspendable	-	53,131	-	-	53,131
Restricted	-	963,375	-	-	963,375
Assigned	-	-	796,028	1,672,312	2,468,340
Total fund balances	-	1,016,506	796,028	1,672,312	3,484,846
Total liabilities and fund balances	$ 5,881,731	$ 1,146,362	$ 796,028	$ 1,672,312	$ 9,496,433

Total fund balances per above		$ 3,484,846
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	$ 37,019,854	
Less: accumulated depreciation	(11,584,794)	25,435,060
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	$ (649,862)	
Net pension liability	(39,221,111)	
Deferred outflow - pension	3,575,278	
Deferred inflow - pension	(6,810,326)	
OPEB obligations	(1,221,055)	
Note payable to the Primary Government	(1,605,705)	(45,932,781)
Net position of governmental activities		$ (17,012,875)

Exhibit 25

City of Hopewell, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2015

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Building and Bus Replacement Fund	Total Governmental Funds
REVENUES					
Revenues from use of money and property	$ 319	$ 135	$ 161	$ 84	$ 699
Charges for services	86,995	356,318	-	-	443,313
Miscellaneous	9,052	-	120	-	9,172
Intergovernmental revenues:					
Local government	15,394,448	-	-	-	15,394,448
Commonwealth	26,650,599	42,754	296,209	-	26,989,562
Federal	3,550,630	1,976,167	-	-	5,526,797
Total revenues	45,692,043	2,375,374	296,490	84	48,363,991
EXPENDITURES					
Current:					
Administration	1,414,428	-	-	-	1,414,428
Instruction	34,226,303	-	401,353	-	34,627,656
Operating	8,996,049	2,246,014	-	-	11,242,063
Capital projects	-	63,282	-	349,039	412,321
Total expenditures	44,636,780	2,309,296	401,353	349,039	47,696,468
Excess (deficiency) of revenues over (under) expenditures	1,055,263	66,078	(104,863)	(348,955)	667,523
OTHER FINANCING SOURCES (USES)					
Transfers in	420,180	-	-	1,475,443	1,895,623
Transfers out	(1,475,443)	-	-	(420,180)	(1,895,623)
Total other financing sources and (uses), net	(1,055,263)	-	-	1,055,263	-
Net change in fund balances	-	66,078	(104,863)	706,308	667,523
Fund balances - beginning	-	950,428	900,891	966,004	2,817,323
Fund balances - ending	$ -	$ 1,016,506	$ 796,028	$ 1,672,312	$ 3,484,846

Net change in fund balances - total governmental funds - per above		$ 667,523
Amount 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 and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		
Capital outlay, net of disposals	$ 986,586	
Net change in City interest in School assets	461,614	
Depreciation expense	(742,730)	705,470
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in claims and compensated absences	$ 18,701	
Increase in OPEB liability	(116,917)	
Decrease in pension activity	782,176	
Decrease in note payable to the Primary Government	105,418	789,378
Change in net position of governmental activities		$ 2,162,371

Exhibit 26

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2015

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	$ 2,000	$ 2,000	$ 319	$ (1,681)
Charges for services	379,039	379,039	86,995	(292,044)
Miscellaneous	28,550	33,550	9,052	(24,498)
Intergovernmental revenues:				
Local government	15,440,468	15,440,468	15,394,448	(46,020)
Commonwealth	26,446,453	26,912,350	26,650,599	(261,751)
Federal	4,827,591	4,356,694	3,550,630	(806,064)
Total revenues	47,124,101	47,124,101	45,692,043	(1,432,058)
EXPENDITURES				
Current:				
Education	44,302,107	44,302,107	41,814,787	2,487,320
Debt service	2,821,994	2,821,994	2,821,993	1
Total expenditures	47,124,101	47,124,101	44,636,780	2,487,321
Excess of revenues over expenditures	-	-	1,055,263	1,055,263
OTHER FINANCING SOURCES (USES)				
Transfers in	420,180	420,180	420,180	-
Transfers out	(420,180)	(420,180)	(1,475,443)	(1,055,263)
Total other financing uses, net	-	-	(1,055,263)	(1,055,263)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	$ -	$ -	$ -	$ -

Exhibit 27

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2015

	School Cafeteria Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	$ 600	$ 600	$ 135	$ (465)
Charges for services	521,850	521,850	356,318	(165,532)
Intergovernmental revenues:				
Commonwealth	47,761	47,761	42,754	(5,007)
Federal	1,513,170	1,513,170	1,976,167	462,997
Total revenues	2,083,381	2,083,381	2,375,374	291,993
EXPENDITURES				
Current:				
Education	2,239,851	2,506,851	2,020,141	486,710
Operations and maintenance	746,707	458,707	225,873	232,834
Capital projects	96,823	117,823	63,282	54,541
Total expenditures	3,083,381	3,083,381	2,309,296	774,085
Excess (deficiency) of revenues over (under) expenditures	(1,000,000)	(1,000,000)	66,078	1,066,078
Net change in fund balance	(1,000,000)	(1,000,000)	66,078	1,066,078
Fund balance - beginning	1,000,000	1,000,000	950,428	(49,572)
Fund balance - ending	$ -	$ -	$ 1,016,506	$ 1,016,506

Exhibit 28

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2015

	School Textbook Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	$ 2,000	$ 2,000	$ 161	$ (1,839)
Miscellaneous	-	-	120	120
Intergovernmental revenues -				
Commonwealth	292,729	292,729	296,209	3,480
Total revenues	294,729	294,729	296,490	1,761
EXPENDITURES				
Current:				
Education	650,000	650,000	401,353	248,647
Total expenditures	650,000	650,000	401,353	248,647
Excess (deficiency) of revenues over (under) expenditures	(355,271)	(355,271)	(104,863)	250,408
Net change in fund balance	(355,271)	(355,271)	(104,863)	250,408
Fund balance - beginning	552,000	552,000	900,891	348,891
Fund balance - ending	$ 196,729	$ 196,729	$ 796,028	$ 599,299

Exhibit 29

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2015

	Building and Bus Replacement Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from use of money and property	$ -	$ -	$ 84	$ 84
Total revenues	-	-	84	84
EXPENDITURES				
Capital projects:				
Capital outlay	190,000	422,618	349,039	73,579
Total expenditures	190,000	422,618	349,039	73,579
Excess (deficiency) of revenues over (under) expenditures	(190,000)	(422,618)	(348,955)	73,663
OTHER FINANCING SOURCES (USES)				
Transfers in	420,180	420,180	1,475,443	1,055,263
Transfers out	(420,180)	(420,180)	(420,180)	-
Total other financing sources, net	-	-	1,055,263	1,055,263
Net change in fund balances	(190,000)	(422,618)	706,308	1,128,926
Fund balances - beginning	299,860	532,478	966,004	433,526
Fund balances - ending	$ 109,860	$ 109,860	$ 1,672,312	$ 1,562,452

Exhibit 30

Balance Sheet
Discretely Presented Component Unit - Comprehensive Services Act Board
June 30, 2015

ASSETS		
Cash	$	251,607
Due from other governmental units		1,760,284
Total assets	$	2,011,891
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	619,355
Accrued liabilities		3,841
Due to Primary Government		1,388,695
Total liabilities		2,011,891
Fund balances:		
Unassigned		-
Total fund balance		-
Total liabilities and fund balances	$	2,011,891

Exhibit 31

Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - Comprehensive Services Act Board
For the Year Ended June 30, 2015

REVENUES	
Miscellaneous	$ 9,173
Intergovernmental revenues:	
Local government	1,035,707
Commonwealth	3,477,801
Total revenues	4,522,681
EXPENDITURES	
Current:	
Health and welfare	4,522,681
Total expenditures	4,522,681
Excess of revenues over expenditures	-
Net change in fund balance	-
Fund balance - beginning	-
Fund balance - ending	$ -

Schedule 1

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
Recreation Fund
For the Year Ended June 30, 2015

	Final Budget	Actual	Variance with Final Positive (Negative)
Revenues:			
Revenues from local sources:			
Revenues from use of money and property:			
Revenue from the use of property	$ 12,500	$ 15,738	$ 3,238
Total revenues from use of money and property	12,500	15,738	3,238
Charges for services -			
Charges for services	215,700	145,507	(70,193)
Total charges for services	215,700	145,507	(70,193)
Miscellaneous revenues:			
Donations	8,700	8,071	(629)
Miscellaneous refunds and grants	100,700	30,915	(69,785)
Total miscellaneous revenues	109,400	38,986	(70,414)
Total revenues from local sources	337,600	200,231	(137,369)
Revenue from the Commonwealth			
Other state aid	21,000	22,246	1,246
Revenue from the federal government			
Categorical aid -			
Summer feeding program	5,000	5,306	306
Total categorical aid	5,000	5,306	306
Total revenues from the federal government	5,000	5,306	306
Total revenues	$ 363,600	$ 227,783	$ (135,817)
Expenditures:			
Parks, recreation, and cultural:			
Parks and recreation:			
Recreation centers and playgrounds	$ 652,880	$ 428,216	$ 224,664
Community division	78,000	120,629	(42,629)
Athletics division	153,954	182,143	(28,189)
Seniors' division	141,100	163,663	(22,563)
Pool center	207,000	226,883	(19,883)
Parks	413,900	435,169	(21,269)
Marina	14,400	45,451	(31,051)
Grants	67,990	39,635	28,355
Total parks and recreation	1,729,224	1,641,789	87,435
Total expenditures	$ 1,729,224	$ 1,641,789	$ 87,435

Schedule 2

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2015

	Final Budget	Actual	Variance with Final Positive (Negative)
Revenues			
Revenues from other governments -			
Commonwealth	$ 180,500	$ 366,457	$ 185,957
Total revenues from other governments	180,500	366,457	185,957
Local sources -			
Other local taxes:			
Hotel and motel room taxes	750,000	610,447	(139,553)
Restaurant food taxes	1,800,000	1,645,441	(154,559)
Total other local taxes	2,550,000	2,255,888	(294,112)
Revenues from use of money and property -			
Revenue from the use of money	10,000	18,034	8,034
Total revenues from use of money and property	10,000	18,034	8,034
Miscellaneous revenues -			
Other miscellaneous	125,000	177,467	52,467
Total miscellaneous revenues	125,000	177,467	52,467
Total revenue from local sources	2,685,000	2,451,389	(233,611)
Total revenues	$ 2,865,500	$ 2,817,846	$ (47,654)
Expenditures			
Education	$ -	$ 1,178,837	$ (1,178,837)
Capital Projects:			
Equipment	509,000	2,573,679	(2,064,679)
Parks and recreation	200,000	338,026	(138,026)
Economic development	-	1,122,215	(1,122,215)
Other projects	220,000	193,985	26,015
Streets, curbs, and gutters	370,000	1,390,355	(1,020,355)
Total capital projects	1,299,000	5,618,260	(4,319,260)
Debt Service:			
Principal retirement	1,965,500	2,248,464	(282,964)
Interest and other fiscal charges	1,812,000	2,655,885	(843,885)
Total debt service	3,777,500	4,904,349	(1,126,849)
Total expenditures	$ 5,076,500	$ 11,701,446	$ (6,624,946)

Schedule 3

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Component Unit School Board
For the Year Ended June 30, 2015

Fund, Major, and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenues from local sources:				
Revenues from use of money and property -				
Revenues from the use of money	$ 2,000	$ 2,000	$ 319	$ (1,681)
Charges for services -				
Charges for education	379,039	379,039	86,995	(292,044)
Miscellaneous revenues -				
Other miscellaneous	28,550	33,550	9,052	(24,498)
Total revenues from local sources	409,589	414,589	96,366	(318,223)
Intergovernmental revenues:				
Revenues from local governments -				
Contribution from the City of Hopewell, Virginia	15,440,468	15,440,468	15,394,448	(46,020)
Total revenues from local governments	15,440,468	15,440,468	15,394,448	(46,020)
Revenues from the Commonwealth:				
Categorical aid:				
Share of state sales tax	3,758,631	3,811,515	3,812,602	1,087
Basic school aid	12,760,727	12,928,624	12,929,161	537
ISAEP	15,717	15,717	15,717	-
Remedial summer education	95,234	109,234	109,742	508
Regular foster care	-	13,000	13,338	338
Special education foster care	25,397	25,397	-	(25,397)
Homebound education	14,077	16,077	16,222	145
Gifted and talented	142,988	142,988	144,688	1,700
Remedial education	1,006,998	1,017,998	1,018,970	972
Special education	1,685,429	1,705,429	1,705,466	37
Vocational	7,114	8,114	8,049	(65)
Vocational adult	6,684	-	-	-
Vocational education	219,045	221,645	221,649	4
Social security fringe benefits	851,841	861,841	861,968	127
Retirement fringe benefits	1,746,274	1,751,274	1,751,643	369
Group life insurance benefits	57,804	57,804	55,412	(2,392)
Early reading intervention	119,662	136,662	136,756	94
At-risk payments	1,160,498	1,174,198	1,174,284	86
Primary class size	1,433,155	1,433,155	1,357,616	(75,539)
At-risk four year olds	827,195	827,195	665,453	(161,742)
Education technology	321,200	345,200	345,200	-
Standards of Learning algebra readiness	100,137	100,137	97,572	(2,565)
National board certified teacher	-	5,000	5,000	-
Mentor teacher program	4,660	5,160	5,195	35
English as a second language	85,986	85,986	85,877	(109)
School Security Equipment Grant	-	100,000	100,000	-
STEM Recruitment	-	5,000	5,000	-
Industry certification costs	-	8,000	8,019	19
Total categorical aid	26,446,453	26,912,350	26,650,599	(261,751)
Total revenues from the Commonwealth	$ 26,446,453	$ 26,912,350	$ 26,650,599	$ (261,751)

Schedule 3

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Component Unit School Board
For the Year Ended June 30, 2015

Fund, Major, and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenue from the federal government:				
Categorical aid:				
Title I	$ 1,949,947	$ 1,593,016	$ 1,103,483	$ (489,533)
Impact Aid	38,640	38,640	34,064	(4,576)
Special Ed	940,930	864,916	861,895	(3,021)
Vocational Education	99,329	49,329	49,094	(235)
Title II	286,010	228,605	229,766	1,161
Title III	61,271	41,271	37,148	(4,123)
E-Rate Funds	95,000	95,000	57,688	(37,312)
Head Start	1,181,964	941,964	665,050	(276,914)
JROTC	59,500	59,500	67,819	8,319
AP Test Fees	-	-	4,242	4,242
Medicaid Reimbursements	115,000	269,585	270,277	692
School Improvement Grant	-	174,868	170,104	(4,764)
Total categorical aid	4,827,591	4,356,694	3,550,630	(806,064)
Total School Operating Fund	$ 47,124,101	$ 47,124,101	$ 45,692,043	$ (1,432,058)
School Cafeteria Fund:				
Revenues from local sources:				
Revenues from use of money and property -				
Revenue from the use of money	$ 600	$ 600	$ 135	$ (465)
Charges for services -				
Cafeteria sales	521,850	521,850	356,318	(165,532)
Total revenues from local sources	522,450	522,450	356,453	(165,997)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid -				
School food program grant	47,761	47,761	42,754	(5,007)
Revenue from the federal government:				
Categorical aid:				
School food program grant	1,513,170	1,513,170	1,856,392	343,222
USDA commodities	-	-	119,775	119,775
Total categorical aid	1,513,170	1,513,170	1,976,167	462,997
Total revenues from the federal government	1,513,170	1,513,170	1,976,167	462,997
Total School Cafeteria Fund	$ 2,083,381	$ 2,083,381	$ 2,375,374	$ 291,993

Schedule 3

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Component Unit School Board
For the Year Ended June 30, 2015

Fund, Major, and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Textbook Fund:				
Revenues from use of money and property -				
Revenues from the use of money	$ 2,000	$ 2,000	$ 161	$ (1,839)
Total revenues from use of money and property	2,000	2,000	161	(1,839)
Miscellaneous revenues -				
Other miscellaneous	-	-	120	120
Total miscellaneous revenues	-	-	120	120
Intergovernmental revenues:				
Revenues from the Commonwealth:				
Categorical aid -				
Textbook funds	292,729	292,729	296,209	3,480
Total revenue from the Commonwealth	292,729	292,729	296,209	3,480
Total School Textbook Fund	$ 294,729	$ 294,729	$ 296,490	$ 1,761
Discretely Presented Component Unit - School Board:				
Capital Projects Fund				
Building and Bus Replacement Fund				
Revenues from use of money and property:				
Revenues from the use of money	$ -	$ -	$ 84	$ 84
Total revenues from use of money and property	-	-	84	84
Total Building and Bus Replacement Fund	$ -	$ -	$ 84	$ 84
Total Discretely Presented Component Unit - School Board	$ 49,502,211	$ 49,502,211	$ 48,363,991	$ (1,138,220)

Schedule 4

City of Hopewell, Virginia
Schedule of Expenditures - Budget and Actual
Component Unit School Board
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board				
School Operating Fund				
Education:				
Administration of schools -				
Administration	$ 1,520,478	$ 1,508,719	$ 1,414,428	$ 94,291
Total administration of schools	1,520,478	1,508,719	1,414,428	94,291
Instruction costs:				
Compensation	32,731,681	32,064,693	31,051,943	1,012,750
Supplies	1,459,782	1,171,121	882,659	288,462
Equipment	559,489	714,941	703,781	11,160
Purchased services	1,432,002	1,846,694	1,587,920	258,774
Total instruction costs	36,182,954	35,797,449	34,226,303	1,571,146
Operating costs:				
Attendance and health services	851,269	895,811	789,650	106,161
Pupil transportation	1,271,168	1,462,940	1,316,218	146,722
Operation and maintenance of school plant	4,476,238	4,637,188	4,068,188	569,000
Total operating costs	6,598,675	6,995,939	6,174,056	821,883
Total education	44,302,107	44,302,107	41,814,787	2,487,320
Operating costs -				
Debt service	2,821,994	2,821,994	2,821,993	1
Total School Operating Fund	$ 47,124,101	$ 47,124,101	$ 44,636,780	$ 2,487,321
School Cafeteria Fund:				
Education:				
School food services -				
Administration of school food program	$ 2,239,851	$ 2,506,851	$ 2,020,141	$ 486,710
Total education	2,239,851	2,506,851	2,020,141	486,710
Operations:				
Repair and replacement of equipment	688,829	382,339	196,720	185,619
Other	57,878	76,368	29,153	47,215
Total Operations and Maintenance	746,707	458,707	225,873	232,834
Capital project expenditures -				
Capital projects	96,823	117,823	63,282	54,541
Total capital projects	96,823	117,823	63,282	54,541
Total School Cafeteria Fund	$ 3,083,381	$ 3,083,381	$ 2,309,296	$ 774,085
Textbook Fund:				
Education:				
Instruction	$ 650,000	$ 650,000	$ 401,353	$ 248,647
Total education	650,000	650,000	401,353	248,647
Total School Textbook Fund	$ 650,000	$ 650,000	$ 401,353	$ 248,647
Capital Projects Fund:				
Building and Bus Replacement Fund				
Education:				
Capital project expenditures:				
Capital projects	$ 190,000	$ 422,618	$ 349,039	73,579
Total capital projects	190,000	422,618	349,039	73,579
Total Building and Bus Replacement Fund	$ 190,000	$ 422,618	$ 349,039	$ 73,579
Total Discretely Presented Component Unit - School Board	$ 51,047,482	$ 51,280,100	$ 47,696,468	$ 3,583,632

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STATISTICAL SECTION

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STATISTICAL SECTION

The Statistical Section of the City of Hopewell, Virginia's Comprehensive Annual Financial Report provides readers with additional detailed information as a context to assist in understanding what the information in the financial statements, accompanying notes, and required supplementary information indicates about the City's economic condition over an extended period of time. Information is presented in the following five categories:

	Table
Financial trends information Financial trends information is intended to help the reader understand and assess how the City's financial position has changed over time.	**1 to 4**
Revenue capacity information Revenue capacity information is intended to help the reader understand and access the City's ability to generate its most significant local revenue source, the property tax.	**5 to 8**
Debt capacity information Debt capacity information is intended to help the reader understand and assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	**9 to 11**
Demographic and economic information Demographic and economic information is intended to help the reader understand the socioeconomic environment within which the City's financial activities take place.	**12 to 14**
Operating information Operating information is intended to provide information about the City's services and capital asset resources to help the reader understand how the information in the financial report relates to the services the City provides and the activities it performs.	**15 to 16**

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Table 1

City of Hopewell, Virginia
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Government activities:										
Net investment in capital assets	$ (5,034,392)	$ 1,080,980	$ 2,846,179	$ (5,421,549)	$ 2,462,560	$ 409,366	$ 2,934,686	$ 8,237,548	$ 9,806,936	$ 15,515,897
Restricted	6,623,230	1,238,289	983,265	11,016,079	1,054,321	1,024,445	469,962	472,833	464,911	400,000
Unrestricted	25,290,215	29,341,147	25,589,865	20,864,117	22,001,951	21,485,263	20,049,644	20,446,091	17,328,832	(698,824)
Total governmental activities net position	$ 26,879,053	$ 31,660,416	$ 29,419,309	$ 26,458,647	$ 25,518,832	$ 22,919,074	$ 23,454,292	$ 29,156,472	$ 27,600,679	$ 15,217,073
Business-Type activities:										
Net investment in capital assets	$ 4,169,665	$ 2,001,382	$ 379,108	$ (1,881,277)	$ 833,056	$ 3,522,077	$ 4,439,464	$ 5,573,075	$ 11,156,352	$ 31,226,996
Restricted	395,641	395,641	395,641	395,641	395,641	395,641	502,351	-	-	-
Unrestricted	18,665,589	20,590,674	21,410,651	21,695,483	20,822,720	20,539,183	24,658,155	25,967,344	21,645,447	21,759,463
Total Business-Type activities net position	$ 23,230,895	$ 22,987,697	$ 22,185,400	$ 20,209,847	$ 22,051,417	$ 24,456,901	$ 29,599,970	$ 31,540,419	$ 32,801,799	$ 52,986,459
Primary Government:										
Net investment in capital assets	$ (864,727)	$ 3,082,362	$ 3,225,287	$ (7,302,826)	$ 3,295,616	$ 3,931,443	$ 7,374,150	$ 13,810,623	$ 20,963,288	$ 46,742,893
Restricted	7,018,871	1,633,930	1,378,906	11,411,720	1,449,962	1,420,086	972,313	472,833	464,911	400,000
Unrestricted	43,955,804	49,931,821	47,000,516	42,559,600	42,824,671	42,024,446	44,707,799	46,413,435	38,974,279	21,060,639
Total Primary Government net position	$ 50,109,948	$ 54,648,113	$ 51,604,709	$ 46,668,494	$ 47,570,249	$ 47,375,975	$ 53,054,262	$ 60,696,891	$ 60,402,478	$ 68,203,532

City of Hopewell, Virginia
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Government activities:										
General government	$ 2,912,135	$ 3,375,486	$ 3,355,309	$ 3,005,250	$ 4,460,353	$ 6,104,946	$ 8,303,573	$ 8,482,373	$ 9,598,375	$ 7,471,201
Judicial administration	1,677,436	1,778,649	1,959,936	2,115,285	2,084,915	1,643,680	2,107,894	2,217,984	2,598,072	2,810,211
Public safety	11,047,707	12,332,692	12,594,747	13,815,831	12,847,039	10,761,188	11,841,600	11,720,652	14,012,598	16,464,074
Public works	2,887,052	1,772,710	4,720,713	5,032,124	4,705,675	5,338,658	4,203,248	711,805	1,540,362	3,227,810
Health and welfare	5,264,756	5,322,346	5,764,789	6,082,016	5,486,078	5,514,230	5,548,091	5,259,409	5,363,582	5,532,202
Education	11,543,304	12,264,674	12,419,569	12,641,913	14,587,637	15,960,520	14,701,888	13,675,250	13,266,424	15,202,676
Parks, recreation and cultural	1,896,638	2,342,189	2,893,300	2,771,191	2,396,107	1,187,879	2,311,175	2,462,345	2,530,959	2,408,566
Community development	1,074,519	947,666	1,097,051	1,426,189	1,499,806	2,885,797	735,236	729,140	896,763	868,640
Interest on long-term debt	2,097,330	1,810,935	1,623,712	1,942,319	1,624,907	2,228,636	1,836,461	1,655,027	1,325,884	2,608,205
Total governmental activities expenses	40,400,877	41,947,347	46,429,126	48,832,118	49,692,517	51,625,534	51,589,166	46,913,985	51,133,019	56,593,585
Business-Type activities:										
Public utilities	16,272,912	16,961,532	17,697,147	21,188,607	17,709,774	16,348,442	16,193,605	18,163,995	21,114,290	23,816,770
Total Primary Government expenses	56,673,789	58,908,879	64,126,273	70,020,725	67,402,291	67,973,976	67,782,771	65,077,980	72,247,309	80,410,355
Program Revenues										
Government activities:										
Charges for services:										
General government administration	-	-	201,555	-	1,991	7,620	3,913	4,464	3,718	-
Judicial administration	99,974	82,948	200,543	362,032	26,273	31,532	35,492	37,325	66,938	58,951
Public Safety	439,608	549,021	293,746	454,764	414,833	463,133	580,930	534,761	555,568	541,987
Public Works	-	-	-	-	-	19	1	3	7	-
Parks, recreation and cultural	231,592	141,640	177,568	102,269	308,350	296,931	253,921	245,420	198,885	145,507
Community development	-	-	-	-	78,193	70,194	58,448	51,959	82,410	-
Operating grants and contributions	9,554,091	9,801,482	10,170,554	10,925,941	10,089,840	10,569,646	10,125,073	10,227,954	9,987,193	10,615,538
Capital grants and contributions	-	-	262,809	197,033	380,537	361,697	2,400,955	481,634	316,105	245,093
Total governmental activities program revenues	10,325,265	10,575,091	11,306,775	12,042,039	11,300,017	11,800,772	13,458,733	11,583,520	11,210,824	11,607,076
Business-Type activities:										
Charges for services:										
Public utilities	14,567,448	16,219,446	16,017,671	18,808,470	18,400,410	18,537,642	17,775,706	18,358,264	22,385,729	21,134,708
Operating grants and contributions	160,762	-	33,661	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	513,084	82,284	3,100,000	1,160,000	-	23,492,801
Total Business-Type activities program revenues	14,728,210	16,219,446	16,051,332	18,808,470	18,913,494	18,619,926	20,875,706	19,518,264	22,385,729	44,627,509
Total Primary Government program revenues	25,053,475	26,794,537	27,358,107	30,850,509	30,213,511	30,420,698	34,334,439	31,101,784	33,596,553	56,234,585
Net (expense) / revenue:										
Governmental activities	(30,075,612)	(31,372,256)	(35,122,351)	(36,790,079)	(38,392,500)	(39,824,762)	(38,130,433)	(35,330,465)	(39,922,195)	(44,986,509)
Business-Type activities	(1,544,702)	(742,086)	(1,645,815)	(2,380,137)	1,203,720	2,271,484	4,682,101	1,354,269	1,271,439	20,810,739
Total Primary Government net expense	$ (31,620,314)	$ (32,114,342)	$ (36,768,166)	$ (39,170,216)	$ (37,188,780)	$ (37,553,278)	$ (33,448,332)	$ (33,976,196)	$ (38,650,756)	$ (24,175,770)

City of Hopewell, Virginia
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 21,436,449	$ 23,466,018	$ 21,003,914	$ 23,548,847	$ 24,953,126	$ 24,183,723	$ 24,250,333	$ 25,324,405	$ 25,585,445	$ 29,559,595
Local sales and use taxes	1,890,963	1,992,012	1,872,972	1,752,105	1,904,436	1,866,495	1,921,273	1,989,128	2,048,011	1,960,808
Consumer utility taxes	1,141,121	914,129	665,210	349,751	350,230	376,118	347,966	355,950	348,009	389,249
Business licenses taxes	1,541,460	1,537,086	1,621,535	1,671,362	1,871,513	1,766,087	1,568,560	1,738,831	1,773,174	1,756,407
Other local taxes	3,017,610	3,184,311	3,970,017	4,212,375	5,345,796	5,754,161	6,583,703	6,331,024	6,166,649	6,208,306
Unrestricted grants and contributions	1,777,831	1,801,786	1,407,833	1,534,464	1,618,030	1,618,030	1,968,030	1,768,999	1,628,873	-
Unrestricted revenues from use of money and property	1,736,958	2,033,562	1,768,070	593,272	127,687	154,399	98,440	110,552	78,461	93,151
Gain on disposal of capital assets	-	-	1,000,000	-	-	-	-	-	-	-
Interest rate subsidy	-	-	-	-	-	363,750	-	-	-	-
Miscellaneous	550,795	266,383	266,593	167,241	1,281,867	1,142,241	1,927,346	1,736,852	1,620,797	1,478,801
Loss on debt refunding	-	-	-	-	-	-	-	-	-	2,127,083
Transfers	-	-	-	-	-	-	-	(66,495)	(407,326)	502,000
Total governmental activities	33,093,187	35,195,287	33,576,144	33,829,417	37,452,685	37,225,004	38,665,651	39,289,246	38,842,093	44,075,400
Business-Type activities:										
Transfers	-	-	-	-	-	-	-	66,495	407,326	(502,000)
Miscellaneous	-	-	-	-	-	-	-	216,311	-	811,486
Unrestricted revenues from use of money and property	798,307	951,842	843,518	404,584	36,210	134,000	460,967	303,374	268,690	247,297
Total Business-Type activities	798,307	951,842	843,518	404,584	36,210	134,000	460,967	586,180	676,016	556,783
Total Primary Government	33,891,494	36,147,129	34,419,662	34,234,001	37,488,895	37,359,004	39,126,618	39,875,426	39,518,109	44,632,183
Special item - loss on capital contributed	-	-	-	-	-	-	-	(1,160,000)	-	-
Change in Net Position:										
Governmental activities	1,772,703	5,119,675	(1,546,207)	(2,960,662)	(939,815)	(2,599,758)	535,218	2,798,781	(1,080,102)	(911,109)
Business-Type activities	(17,869)	(592,860)	(802,297)	(1,975,553)	1,239,930	2,405,484	5,143,068	1,940,449	1,947,455	21,367,522
Total Primary Government	$ 1,754,834	$ 4,526,815	$ (2,348,504)	$ (4,936,215)	$ 300,115	$ (194,274)	$ 5,678,286	$ 4,739,230	$ 867,353	$ 20,456,413

Table 3

City of Hopewell, Virginia
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserved	$ 1,486,858	$ 2,145,977	$ 1,305,385	$ 1,085,023	$ 1,146,496					
Unreserved	10,815,318	10,681,284	10,508,586	9,484,371	10,168,180					
Total General Fund	$ 12,302,176	$ 12,827,261	$ 11,813,971	$ 10,569,394	$ 11,314,676					
All other governmental funds:										
Reserved	$ 15,440,761	$ 3,553,176	$ 1,116,638	$ 55,109	$ 35,436					
Unreserved, reported in:										
Special Revenue Funds	405,094	221,901	228,810	157,004	346,795					
Capital Projects Funds	12,850,203	15,342,304	12,321,255	20,995,610	22,131,546					
Total all other Governmental funds	$ 28,696,058	$ 19,117,381	$ 13,666,703	$ 21,207,723	$ 22,513,777					
General Fund:										
Nonspendable						$ 352,873	$ 484,090	$ 507,710	$ 506,019	$ 463,095
Assigned						7,433,145	7,185,036	7,185,036	7,577,377	8,129,327
Unassigned						4,355,131	4,084,446	6,110,082	3,294,763	2,231,581
Total General Fund						$ 12,141,149	$ 11,753,572	$ 13,802,828	$ 11,378,159	$ 10,824,003
All other Governmental funds:										
Nonspendable						$ -	$ -	$ -	$ -	$ 6,199,005
Restricted						10,098,751	5,789,508	5,789,508	5,789,508	8,941,242
Assigned						14,338,352	8,694,433	7,758,080	15,633,457	5,290,631
Unassigned						(248)	(247)	-	-	-
Total all other Governmental funds						$ 24,436,855	$ 14,483,694	$ 13,547,588	$ 21,422,965	$ 20,430,878

Note: Fiscal years 2006 through 2010 have not been restated per GASB 54.

Table 4

City of Hopewell, Virginia
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
General property taxes	$ 22,011,460	$ 22,262,298	$ 24,259,295	$ 22,831,071	$ 27,157,780	$ 23,818,310	$ 23,481,976	$ 26,459,832	$ 25,308,595	$ 29,022,830
Other local taxes	7,591,154	7,627,538	8,129,734	7,985,593	8,405,033	8,494,183	8,425,201	8,707,937	8,595,179	8,311,898
Permits, privilege fees/regulatory licenses	179,406	204,618	206,454	135,509	352,348	31,956	41,144	42,889	105,139	230,893
Fines and Forfeitures	74,318	69,921	155,217	282,130	714,594	1,288,030	1,866,202	1,544,560	1,561,049	1,545,064
Revenue from use of money and property	1,736,958	2,033,562	1,407,833	593,272	349,168	369,081	293,153	275,553	220,657	93,151
Charges for services	517,450	499,070	511,741	501,426	536,670	587,937	680,400	662,134	684,206	746,445
Miscellaneous	549,450	271,236	266,593	167,241	471,399	227,644	1,148,605	2,323,369	2,083,113	1,370,570
Recovered costs	996,392	824,000	823,000	872,000	872,000	884,500	884,500	884,500	884,500	382,500
Intergovernmental	11,331,922	11,603,268	10,583,403	12,657,438	12,096,593	12,485,977	14,502,537	12,491,935	11,938,140	10,751,111
Total revenues	44,988,510	45,395,511	46,343,270	46,025,680	50,955,585	48,187,618	51,323,718	53,392,709	51,380,578	52,454,462
Expenditures:										
General government administration	2,869,051	3,207,029	3,471,465	3,555,998	3,529,854	2,836,083	2,946,336	3,038,151	3,887,357	4,034,781
Judicial administration	1,436,093	1,500,445	1,707,438	1,724,389	1,765,448	1,603,353	1,839,894	1,916,116	2,347,692	2,582,149
Public safety	10,594,210	11,715,197	12,235,866	12,549,248	12,864,356	10,220,079	11,107,197	10,966,050	13,363,832	13,545,791
Public works	3,736,617	3,682,520	4,161,179	4,248,535	3,953,139	3,414,050	3,468,258	3,570,454	3,927,276	4,296,811
Health and welfare	5,143,541	5,198,729	5,577,319	5,673,538	5,470,641	5,514,230	5,442,824	5,154,545	5,259,251	5,465,334
Education	9,708,817	9,800,130	10,507,034	11,045,621	15,691,522	20,957,047	21,060,268	11,102,916	10,787,674	14,301,637
Parks, recreation and cultural	2,283,280	2,255,777	2,302,038	2,300,336	2,083,326	2,080,477	2,273,806	2,114,530	2,165,055	2,246,089
Community development	1,164,345	978,544	1,078,552	1,003,857	1,040,742	793,509	657,839	718,234	889,540	868,628
Nondepartmental	746,960	903,500	968,612	864,074	1,025,073	5,075,563	4,866,933	5,153,440	1,056,007	1,563,876
Capital projects	6,254,211	10,846,799	3,823,661	1,837,201	1,098,458	4,167,481	3,552,164	3,003,770	4,190,524	5,618,260
Debt service:										
Principle	3,427,039	2,379,916	2,513,941	3,648,595	1,390,172	4,155,218	1,696,274	2,510,773	5,456,424	2,248,464
Interest	2,168,868	1,980,517	2,975,833	1,610,185	1,793,289	2,779,947	2,752,663	2,964,085	3,052,165	2,655,885
Total expenditures	49,533,032	54,449,103	51,322,938	50,061,577	51,706,020	63,597,037	61,664,456	52,213,064	56,382,797	59,427,705
Excess of revenues over (under) expenditures	(4,544,522)	(9,053,592)	(4,979,668)	(4,035,897)	(750,435)	(15,409,419)	(10,340,738)	1,179,645	(5,002,219)	(6,973,243)
Other financing sources (uses):										
Transfer in	4,394,863	4,369,935	3,636,893	3,401,401	6,199,463	3,986,103	3,493,901	4,688,553	6,663,226	5,601,896
Transfer out	(4,394,863)	(4,369,935)	(3,636,893)	(3,401,401)	(6,199,463)	(3,986,103)	(3,493,901)	(4,755,048)	(7,070,552)	(5,099,896)
Refunding bonds issued	-	-	18,210,000	2,155,000	-	-	-	-	-	-
Bonds issued	858,896	-	-	10,000,000	-	17,715,000	-	-	10,860,253	19,210,000
Premium on bonds issued	-	-	-	303,340	2,801,771	80,220	-	-	-	-
Refunded bonds redeemed	-	-	(20,000,000)	(2,126,000)	-	-	-	-	-	(14,285,000)
Interest rate subsidy	-	-	-	-	-	363,750	-	-	-	-
Sale of capital assets	-	-	1,000,000	-	-	-	-	-	-	-
Total other financing sources (uses), net	858,896	-	(790,000)	10,332,340	2,801,771	18,158,970	-	(66,495)	10,452,927	5,427,000
Net change in fund balances	$ (3,685,626)	$ (9,053,592)	$ (5,769,668)	$ 6,296,443	$ 2,051,336	$ 2,749,551	$ (10,340,738)	$ 1,113,150	$ 5,450,708	$ (1,546,243)
Debt service as a percentage of noncapital expenditures	13.06%	9.60%	11.10%	10.61%	6.29%	11.77%	7.66%	11.70%	15.70%	9.11%

Table 5

City of Hopewell, Virginia
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property Direct Tax Rate	Real Estate (1)	Personal Property Direct Tax Rate	Personal Property	M & T Property Direct Tax Rate	Machinery and Tools	Public Service	Total Direct Rate	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2015	1.13	$ 1,523,579,400	3.50	$ 135,036,571	3.05	$ 229,392,148	$ 366,490,488	1.47	$ 2,254,498,607	$ 2,243,226,114	100.50%
2014	1.08	1,515,543,600	3.50	108,045,354	3.05	175,948,856	351,700,185	1.36	2,151,237,995	2,140,481,805	100.50%
2013	1.08	1,500,249,500	3.50	108,045,354	3.05	154,636,072	351,556,622	1.35	2,114,487,548	2,103,915,110	100.50%
2012	1.02	1,330,768,380	3.50	122,695,512	3.05	131,032,392	331,805,550	1.32	1,916,301,834	1,906,720,325	100.50%
2011	0.99	1,359,312,700	3.50	129,530,486	3.05	179,114,467	344,749,605	1.33	2,012,707,258	2,002,643,728	100.50%
2010	0.99	1,357,143,000	3.05	128,089,039	3.05	142,657,510	344,073,128	1.27	1,971,962,677	1,932,523,430	102.04%
2009	0.96	1,338,397,100	3.05	113,630,555	3.05	140,866,828	344,073,128	1.23	1,936,967,611	1,898,228,265	102.04%
2008	1.09	1,145,283,664	3.05	127,665,229	3.05	119,046,593	308,044,862	1.37	1,700,412,530	1,649,400,154	103.09%
2007	1.09	1,122,108,000	3.05	124,658,770	3.05	129,341,114	324,304,640	1.38	1,700,412,524	1,683,408,399	101.01%
2006	1.20	929,194,800	3.05	117,351,944	3.05	142,128,758	365,796,979	1.51	1,554,472,481	1,476,648,400	105.27%

Source: Commissioner of Revenue for the City. Assessed values for Public Service are established by the State Corporation Commission and include both real estate and personal property values.

(1) Real Estate assessed value includes both residential and commerical values, a breakdown is currently not available.

Table 6

City of Hopewell, Virginia
Direct Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property(2)	Machinery and Tools	Public Utility Real Estate	Public Utility Personal Property	Total Direct Rate (3)
2006	$ 1.20	$ 3.05	$ 3.05	$ 1.20	$ 3.05	$ 1.51
2007	1.09	3.05	3.05	1.09	3.05	1.38
2008	1.09	3.05	3.05	1.09	3.05	1.37
2009	0.96	3.05	3.05	0.96	3.05	1.23
2010	0.99	3.50	3.05	0.99	3.50	1.27
2011	0.99	3.50	3.05	0.99	3.50	1.33
2012	1.02	3.50	3.05	1.02	3.50	1.20
2013	1.08	3.50	3.05	1.08	3.50	1.20
2014	1.11	3.50	3.05	1.08	3.50	1.20
2015	1.13	3.50	3.05	1.02	3.50	1.20

(1) Per $100 of assessed value.
(2) Personal property taxes are applied to the National Automobile Dealers Association (NADA) loan value.
(3) Weighted average for tax levy.
The City of Hopewell has no overlapping taxes.

Table 7

City of Hopewell, Virginia
Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Fiscal Year 2015 2014 Assessed Valuation	Fiscal Year 2015 % of Total Assessed Valuation	Fiscal Year 2006 2005 Assessed Valuation	Fiscal Year 2006 % of Total Assessed Valuation
Virginia Electric & Power Company / Dominion Virginia Power	$ 131,765,233	6.60%	$ 52,576,169	3.48%
Honeywell International	126,812,248	6.36%	131,339,563	8.70%
Hopewell Cogentric Limited Partnership	94,440,110	4.73%	151,420,482	10.03%
Columbia HCA / John Randolph Hospital	90,835,635	4.55%	40,990,634	2.72%
Rock Tenn / Alliance Division (1)	81,613,932	4.09%	86,613,062	5.74%
Evoniks Industries (2)	60,981,462	3.06%	56,150,653	3.72%
Ashland, Inc. / Aqualon Company (3)	56,022,025	2.81%	37,015,420	2.45%
Virginia American Water Company	43,576,268	2.18%	21,699,752	1.44%
James River Genco LLC	29,695,329	1.49%	52,227,285	3.46%
Future Fuels	21,643,300	1.08%	427,900	0.03%
Total of Principal Property Taxpayers	$ 737,385,542	36.95%	$ 630,460,920	41.77%
Grand Total of All Taxpayers	$ 1,995,246,802		$ 1,509,735,580	

(1) In 2005, Rock Tenn was Stone Container.
(2) In 2005, Evoniks Industries was Goldschmidt Chemical Corp.
(3) In 2005, Ashland, Inc. was Aqualon Company.

Sources: (a) Debra K. Reason, Commissioner of Revenue - 8/24/17
(b) Patrizia Waggoner, Real Estate Assessor - 8/24/17

Table 8

City of Hopewell, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2015	$ 28,194,700	$ 27,452,021	97.37%	$ -	$ 27,452,021	97.37%
2014	27,263,306	25,359,477	93.02%	453,922	25,813,399	94.68%
2013	25,910,451	25,275,937	97.55%	605,682	25,881,619	99.89%
2012	25,502,328	24,389,663	95.64%	1,206,657	25,596,320	100.37%
2011	25,806,316	24,573,947	95.22%	1,221,792	25,795,739	99.96%
2010	25,365,543	24,277,032	95.71%	920,407	25,197,439	99.34%
2009	25,394,983	21,359,404	84.11%	2,986,970	24,346,374	95.87%
2008	23,544,869	21,035,463	89.34%	2,251,967	23,287,430	98.91%
2007	23,967,262	21,167,844	88.32%	2,511,366	23,679,210	98.80%
2006	23,704,873	21,430,559	90.41%	2,043,391	23,473,950	99.03%

Source: Municipal Tax Assessor

Table 9

City of Hopewell, Virginia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities					Business-Type Activities					
Fiscal Year	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	General Obligation Bond Premium	Capital Leases	Revenue Bonds	Revenue Bond Premium	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2015	$ 60,602,676	$ 2,547,600	$ -	$ 79,140	$ -	$ 38,210,000	$ 658,519	$ -	$ 102,097,935	13.12%	4,519
2014	57,473,287	3,021,800	-	157,886	-	33,680,000	692,558	-	95,025,531	12.21%	4,206
2013	51,595,511	3,496,000	-	248,510	-	34,830,000	718,958	-	90,888,979	11.68%	4,023
2012	53,632,083	3,970,200	-	266,938	-	35,405,000	725,736	-	93,999,957	12.08%	4,161
2011	54,854,157	4,444,400	-	279,072	-	32,205,000	387,480	-	92,170,109	8.44%	4,080
2010	40,597,744	5,093,600	-	291,206	-	28,580,000	661,103	-	75,223,653	10.14%	3,365
2009	39,329,300	5,821,300	-	303,340	-	11,245,000	-	-	56,698,940	7.73%	2,536
2008	31,342,111	6,559,000	-	-	-	11,735,000	-	-	49,636,111	6.77%	2,220
2007	34,814,452	7,390,000	-	259,485	-	12,200,000	-	-	54,663,937	8.16%	2,445
2006	36,363,368	8,221,000	-	389,227	-	12,685,000	-	28,334	57,658,595	8.96%	2,579

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 12

Table 10

City of Hopewell, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Bonded Debt per Capita (1)
2015	$ 63,229,416	$ -	$ 63,229,416	4.79%	2,799
2014	60,725,169	-	60,725,169	4.66%	2,688
2013	55,340,021	-	55,340,021	4.24%	2,450
2012	57,869,221	-	57,869,221	4.35%	2,562
2011	59,577,629	-	59,577,629	4.38%	2,637
2010	45,982,550	4,500,000	41,482,550	2.09%	1,856
2009	45,453,940	4,500,000	40,953,940	2.10%	1,832
2008	37,901,111	4,500,000	33,401,111	1.96%	1,494
2007	42,463,937	4,500,000	37,963,937	2.22%	1,698
2006	44,973,595	4,500,000	40,473,595	2.36%	1,811

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 12.
(2) See schedule of Real Estate Assessed Value and Estimated Actual Value of Taxable Property - Table 5.
(3) Includes all long-term general obligation bonded debt, Literacy Fund Loans, excludes revenue bonds, capital lease, and compensated absences.

Table 11

City of Hopewell, Virginia
Legal Debt Margin Information
Last Ten Fiscal Years

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	$ 92,919,480	$ 112,210,800	$ 114,528,366	$ 133,839,710	$ 135,714,300	$ 135,931,270	$ 133,076,838	$ 130,445,020	$ 133,262,850	$ 130,418,300
Total net debt applicable to limit	44,973,595	42,463,937	37,901,111	45,453,940	45,982,550	59,577,629	57,869,221	55,112,856	60,516,432	63,150,276
Legal debt margin	$ 47,945,885	$ 69,746,863	$ 76,627,255	$ 88,385,770	$ 89,731,750	$ 76,353,641	$ 75,474,555	$ 75,332,164	$ 72,746,418	$ 67,268,024
Total net debt applicable to the limit as a percentage of debt limit	48.40%	37.84%	33.09%	33.96%	33.88%	43.83%	43.49%	42.25%	45.41%	48.42%

Source: Valuation bases were obtained from the Hopewell Real Estate Assessor's office.
(a) Limit set by Virginia Statute.

Legal Debt Margin calculation for Fiscal Year 2015

Assessed value	$ 1,304,183,000
Add back: exempt real property	-
Total assessed value	1,304,183,000
Debt limit (10% of total assessed value) (a)	130,418,300
Net debt applicable to limit	63,150,276
Legal debt margin	$ 67,268,024

Table 12

City of Hopewell, Virginia
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2015	22,591	$ 778,341,324	$ 34,454	7.60%
2014	22,591	778,341,324	34,454	7.90%
2013	22,591	778,341,324	34,454	8.80%
2012	22,591	778,341,324	34,454	9.10%
2011	22,591	778,341,324	34,454	11.40%
2010	22,354	762,550,318	34,112	10.90%
2009	22,354	755,000,314	33,775	11.40%
2008	22,354	733,010,014	32,791	6.30%
2007	22,354	670,307,044	29,986	4.50%
2006	22,354	643,303,412	28,778	5.10%

Source:
(a) Population information provided by the U.S. Census Bureau.

(b) Personal income estimated based upon the municipal population and per capita income presented.

(c) Per capita personal income by municipality estimated based upon the 2000 census published by the U.S. Bureau of Economic Analysis.

(d) Unemployment data provided by the Virginia Employment Commission.

Table 13

City of Hopewell, Virginia
Principal Employers
Current Year and Period Nine Years Prior

	Fiscal Year 2015		Fiscal Year 2006		
Employer	**Employees**	**Rank**	**Employees**	**Rank**	**Employment**
City of Hopewell School System	500 to 999	1	N/A	N/A	0.00%
Honeywell International	500 to 999	2	N/A	N/A	0.00%
Columbia HCA / John Randolph Hospital	500 to 999	3	N/A	N/A	0.00%
City of Hopewell	250 to 499	4	N/A	N/A	0.00%
Rock Tenn / Alliance Division (1)	250 to 499	5	N/A	N/A	0.00%
Ashland, Inc. / Aqualon Company (2)	100 to 249	6	N/A	N/A	0.00%
Evonik Industries (3)	100 to 249	7	N/A	N/A	0.00%
Shaw Services LLC	100 to 249	8	N/A	N/A	0.00%
Hopewell Healthcare Center	100 to 249	9	N/A	N/A	0.00%
River View on the Appomattox	100 to 249	10	N/A	N/A	0.00%

Source: Virginia's Gateway Region.

(1) In FY 2006, Rock Tenn/Alliance Division was Stone Container.
(2) In FY 2006, Ashland, Inc./Aqualon Company was Aqualon Company.
(3) In FY 2006, Evonik Industries as Goldschmidt Chemical Corporation.

N/A - Information not currently available.

Table 14

City of Hopewell, Virginia
Full-Time City Government Employees by Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government:										
City Clerk	1	1	1	1	1	1	2	1	1	1
City Attorney	2	2	2	2	2	2	2	2	2	2
City Manager	7	3	6	6	6	6	6	7	7	7
Finance Department	14	18	15	15	15	15	15	14	14	14
City Treasurer	6	6	5	5	5	5	5	5	5	5
Commissioner of Revenue	6	6	7	7	7	7	7	7	7	7
Voter Registrar	2	2	2	2	2	2	2	2	2	2
Judicial Administration:										
Clerk of Circuit Court	6	6	5	5	5	5	5	5	5	5
Commonwealth Attorney	7	7	9	9	7	7	7	6	6	6
Court Services	4	4	4	2	2	2	2	3	3	3
General District Court	-	-	-	-	-	-	1	1	1	1
Public Safety:										
Sheriff Department	9	9	9	9	9	9	10	10	10	12
Fire & Rescue	43	43	43	43	46	46	46	45	45	45
Building inspections	5	7	7	7	6	6	6	6	6	6
Police Department	73	73	73	73	76	76	78	81	82	84
Animal Control	3	3	3	3	1	1	1	1	1	2
Emergency Services	1	1	1	1	1	1	1	1	1	1
Public Works:										
General Maintenance	39	39	36	36	34	34	34	34	34	36
Landfill	2	2	2	2	2	2	2	2	2	2
Engineering	4	4	4	4	3	3	3	3	3	3
Sewer Services	63	63	63	64	60	60	60	61	61	61
Health & Welfare:										
Department of Social Services	41	41	41	41	40	40	40	40	40	40
Community Services Act	1	1	1	1	1	1	1	1	1	1
Culture and Recreation:										
Parks and Recreation	17	17	17	17	15	15	15	15	15	15
Tourism	1	1	1	1	1	1	1	1	1	-
Community Development	3	3	3	3	3	3	3	3	3	3
Planning	2	2	2	2	1	1	1	1	1	1
Totals	362	364	362	361	351	351	356	358	359	365

Source: Full-time city government employee positions authorized as part of the annual budget approval by City Council.

Table 15

City of Hopewell, Virginia
Operating Indicators by Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety										
Police department:										
E911 calls answered	-	22,906	22,381	19,764	14,101	17,075	17,329	24,655	14,205	19,516
Animal calls answered	1,805	1,847	1,912	1,361	1,856	2,757	3,028	2,818	2,917	2,960
Physical arrests	1,154	1,362	1,233	1,048	1,412	1,753	1,388	1,031	1,394	1,297
Civil papers										
Fire and rescue:										
Fire calls	1,117	1,225	1,232	1,164	3,130	3,430	3,687	3,213	3,352	3,138
EMS calls	1,623	1,993	2,046	1,944	3,557	3,505	3,615	3,545	3,556	1,296
Building inspections:										
Permits issued (all)	1,270	1,535	1,482	2,568	1,783	855	957	957	958	1,029
Inspections done (all)	915	1,264	1,174	2,895	4,607	482	2,560	2,560	2,297	4,007
Public works										
General maintenance:										
Work orders issued	N/A	N/A	2,720	2,002	1,898	1,429	2,346	2,501	3,196	2,688
Health and welfare										
Department of Social Services:										
Caseload*	8,336	8,600	8,436	9,087	10,378	10,707	10,911	10,911	11,446	12,324
Culture and recreation										
Parks and recreation:										
Community center visits	44,099	43,369	55,066	55,046	45,253	57,556	55,565	55,565	59,845	49,167
Summer program participants	452	421	425	320	1,058	1,303	N/A	N/A	N/A	223
Youth sports participants	N/A	N/A	4,039	4,627	5,314	4,461	N/A	N/A	2,235	737
Community development										
Planning:										
Zoning permits issued	989	1,142	1,346	1,376	496	218	291	291	539	167

Source: Individual city department workload counts.
* Average total case count.

Table 16

City of Hopewell, Virginia
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Adminisration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	4	6	6	6	6	6	6	6	5	5
Public Works										
Vehicles	-	43	43	43	43	43	43	46	48	48
Public Safety										
Police Department:										
Vehicles	-	61	60	60	60	60	60	60	60	53
Sheriff Department:										
Vehicles	-	11	13	14	14	14	14	16	18	18
Fire Department:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Fire trucks	6	6	6	6	6	6	6	5	5	5
Other vehicles	8	8	8	8	8	8	8	8	8	10
Building Inspectors:										
Vehicles	7	7	7	7	7	7	7	9	10	9
Culture and Recreation										
Parks and Recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	12	12	12	12	12	12	12	12	12	12
Parks acreage	161	161	161	161	161	161	161	161	161	161
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	14	14	14	14	14	14	14	14	14	14
Ballfields	20	20	20	20	20	20	20	20	20	20
Soccerfields	8	8	8	8	8	8	8	8	8	8

Source: City Fixed Asset System by City departments

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COMPLIANCE SECTION

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopewell, Virginia (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 31, 2017. Our report included an emphasis paragraph indicating that the business-type activities, the Hopewell Regional Wastewater Treatment Facilities Fund ("HRWTF"), and the Sewer Service Fund opinion units' financial statement opinions are qualified due to a scope limitation over our testing. Our report included an emphasis paragraph indicating that the net position as of June 30, 2014 of the governmental activities, the business-type activities, the HRWTF Fund, the Sewer Service Fund, the Beacon Theatre Fund, and the School Board discretely presented component unit has been restated from the City's previously issued financial statements to reflect the correction of errors. Our report recognizes that the City implemented two new accounting standards effective July 1, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2015-001 through 2015-003, which we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance required to be reported under *Government Auditing Standards* as described in the accompanying Schedule of Findings and Responses as 2015-004.

Management's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Richmond, Virginia
August 31, 2017

Schedule of Findings and Responses

2015-001: Material Weakness – Internal Control Over Financial Reporting – Annual External Financial Reporting In Accordance With Accounting Principles Generally Accepted in the United States of America ("GAAP")

Criteria: In order to prepare financial statements in accordance with GAAP, accurate and complete general and subsidiary ledgers, along with supporting records, must be maintained to support the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues, and expenditures/expenses to ensure an accurate presentation of the financial position and activity of the City for the fiscal year just ended.

Condition: Yearly, the City's Finance Department oversees the preparation, processing, and recordation of thousands of financial transactions that ultimately will be reflected in the yearly Comprehensive Annual Financial Report ("CAFR") produced within the Finance Department. In order to ensure the transactions are fairly presented, procedures must be in place and functioning effectively to produce complete and accurate financial information. During the year end closing and CAFR audit processes, errors related to prior fiscal years and to the misapplication of GAAP were identified by City and School Board Finance Department management, which were considered material to the financial statement presentation by City management, resulting in the adjustment to the City's financial records. Specifically, examples of the adjustments and approximated amounts recorded included:

- City management could not accurately determine the total amount of the business-type activities, the Hopewell Regional Wastewater Treatment Facilities Fund ("HRWTF") and the Sewer Service Fund changes in net position for the year ended June 30, 2015. GAAP requires net position at the end of a fiscal year to equal the years beginning net position plus the changes in net position occurring during the year. For the three opinion units noted, the City recorded unsupported adjustments to the yearly activity to enable net position at June 30, 2015 per the Statement of Net Position to equal net position per the Statement of Activities and the Statement of Revenues, Expenses, and Changes in Net Position. Although amounts needed to roll net position forward were made (HRWTF - $320,000; Sewer Service Fund - $580,000), the source and cause of the adjustment could not be suitably substantiated by City Finance management to a degree of accuracy and completeness to allow for related audit testing to support an opinion on their fair presentation in accordance with GAAP and, accordingly, a qualified audit opinion due to a scope limitation was rendered.

- During fiscal year 2015, multiple instances were identified where activities in the previous fiscal years were inaccurately recorded within the general ledger and issued financial statements as follows:

  - Subsequent to the City's conversion of general ledger systems in September 2014, assets were identified that had been excluded from prior fiscal years' reported capital assets resulting in the restatement of the City's governmental activities' net position of $766,500. Also, School Board Finance Department management identified that certain buildings were over depreciated in prior years and reduced accumulated depreciation, and increased net position, at June 30, 2014 by $390,000. Additionally, it was determined that the City's prior calculations of jointly-owned assets with the School Board had incorrectly not taken into account all related outstanding debt resulting in the City's governmental activities recording additional $4,567,500 of net capital assets and net positon with an equal reduction in the School Board's corresponding allocation.

  - City Finance personnel determined that balances reported as prepaid bond principle at June 30, 2014 in the HRWTF and Sewer Service Funds, $491,000 and $479,000, respectively, were not City assets. However, the City noted unreported investments balances of $586,000 and $918,000, respectively, resulting in net increases in net position for HRWTF Fund ($95,000) and Sewer Service Fund ($440,000) at June 30, 2014.

- City Finance personnel determined that the HRWTF and Sewer Service Funds' accrued bond interest at June 30, 2014 was understated by $83,000 and $526,000, respectively, resulting in a reduction of net position for the funds at June 30, 2014. In addition, Sewer Service Fund debt principal outstanding was overstated by $87,000, resulting in a corresponding increase in Net Position at June 30, 2014.

- City Finance personnel determined that the Governmental Activities' deferred inflows related to prior year refundings of debt were incorrectly calculated and presented in the 2014 CAFR. Accordingly, a deferred outflow of resources as of June 30, 2014 has been recorded in the amount of $348,000 to adjust the previously reported deferred inflow of resources of $122,000 for a total adjustment to net position of $470,000. Additionally, premiums related to Governmental Activities' general obligation bonds were overstated at June 30, 2014 by $72,000 resulting in an increase in net position at June 30, 2014.

- City Finance personnel determined that HRWTF Fund's refund credits issued to customers, but not yet exercised, at June 30, 2014 had not been accurately tracked such that the amount of the related liability at June 30, 2014 was overstated by $1,993,000, resulting in an increase in net position at June 30, 2014 by $1,993,000.

- The Sewer Service Fund's accounts receivable at June 30, 2014 included activity actually related to the HRWTF Fund. Accordingly, $108,000 of HRWTF Fund receivables and revenues, related to fiscal year 2014 and earlier, were reclassified from the Sewer Service Fund to the HRWTF Fund and net positon was decreased and increased, respectively, as of June 30, 2014.

- City Finance personnel determined that the Beacon Theatre Fund's accrued liabilities at June 30, 2014 were overstated by $455,000, resulting in an increase in net position for the fund at June 30, 2014.

- Recording of the governmental activities' compensated absences as a fund liability in the governmental funds even though GAAP requires only the portion to be paid with current resources to be recorded as a fund liability. As the entire balance was considered to be a long-term obligation, $900,000 of expenditures and payables were adjusted out of the General Fund and $73,000 was adjusted out of the remaining governmental funds.

- Recording of operational funding from the Sewer Service Fund to the Storm Water Fund as a loan between the two funds when there was no requirement for repayment from the Storm Water Fund, which is inconsistent with GAAP ($1M).

***Cause**:* The City's Finance Department lacks the technical critical mass to analyze the myriad of transactions the City enters into yearly in order to effectively, efficiently, and compliantly prepare the City's CAFR in accordance with GAAP. This material weakness is manifested in many ways to include the inability to effectively analyze accounting transactions, research related accounting principles for propriety and reporting options within the standards, and to understand internal relationships within the general ledger and the CAFR to be able to know when an amount or disclosure is wrong based on the given relationship between the two accounts/disclosures. As the requirements of GAAP evolve and change yearly, the lack of technical strength in the City Finance Department is a detriment and impedance to timely and compliant external financial reporting and efficient internal reporting to support effective financial management.

Effect: The controls in place to close the year-end books, reconcile the balances, analyze the period transactions, and accumulate and assimilate such data into a timely, GAAP compliant financial report simply did not function, leading to the inefficient use of City Finance personnel, hours that would have been better served in other City Finance operations, and significant additional costs incurred related to external accounting services and for hours incurred for the external audit per the City's approved engagement scope.

Recommendation: We recommend the City address this people-centric need by considering the identification, hiring, and retaining of experienced accountants as a mission-critical, long-term objective. During the 2015 reporting process, the ineffective monitoring of financial activity, unfamiliarity with GAAP, and staff turnover exacerbated the City's inability to provide auditable and timely financial records. Over the years, the City has struggled to hire and retain experienced accountants within the Finance Department. There remains an ongoing struggle to fill vacancies with candidates possessing the skill sets needed for a fully-functioning financial accounting and reporting operation. This is consistent with our recommendation after the Fiscal Year 2014 financial audit and we cannot stress enough the need for the City to identify, hire, and retain experienced governmental accountants, specifically Certified Public Accountants, in key finance management positions and to strive to maintain a minimum of two such designations consistently within the financial operations. Additionally, a structured cross-training program should be implemented within financial operational functions (e.g., general accounting, accounts payable) aimed at expanding the skill sets of available team members to be utilized in periods of staff turnover or increased demands in a particular area.

Views of Responsible Officials:

The City intends to comply with this request fully by hiring as soon as possible an Accounting Professional with a CPA to lead the department as the Director of Finance. City Council has also authorized the hiring of another higher level Accounting Professional to serve in an assistant's role to the Director as a Budget/Audit Specialist. Additionally, we have two current temporary Accounting Professionals who we will utilize to help complete the FY2016 and FY2017 CAFR's as soon as possible. It is our desire and intent to have all past due CAFR's completed and filed in time for the FY2018 audit cycle to flow normally and on-time.

2015-002: Material Weakness – Year-end Completeness and Accuracy of Account Balances

Criteria: In order to prepare financial statements in accordance with GAAP, accurate and complete general and subsidiary ledgers, along with supporting records, must be maintained to support the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues, and expenditures/expenses to ensure an accurate presentation of the financial position and activity of the City for the fiscal year just ended. The efficient, effective, and timely preparation of the CAFR depends heavily on personnel from various City departments and includes closing the City's general ledger, performing appropriate financial analyses and reconciliations of yearly activity, and accumulating the required data for reporting. In order to verify that the transactions are fairly presented, procedures must be in place and functioning effectively to ensure the financial information is complete, accurate, and in accordance with GAAP.

Condition: Yearly, the City's Finance Department oversees the preparation, processing, and recordation of thousands of financial transactions that ultimately will be reflected in the yearly CAFR produced within the Finance Department. In order to ensure the transactions are fairly presented, procedures must be in place and functioning effectively to produce complete and accurate financial information. During the year end external audit and financial reporting processes, multiple instances were identified where the complete and accurate recordation of financial transactions within the General Ledger did not occur such as the following, with approximated amounts:

- As of June 30, 2015, the City was unable to reconcile the City's cash balances with financial institutions to the balance per the general ledger, to ensure accuracy and completeness, until September 2016 ($26.8M).

- As of June 30, 2015, funding receipts from the Commonwealth of Virginia to the City had not been reconciled to the general ledger, to verify accuracy and completeness of the transactions, until March of 2016 (>$10M).

- For the year ended June 30, 2015, the unadjusted trial balance provided for testing noted $20.2M of HRWTF Fund capital asset additions recorded as expense and not as capitalized assets.

- When requested for audit testing, City personnel did not have available a reconciliation that verified the investment balances with financial institutions had been analyzed and reconciled to the general ledger ($40M).

- As a result of audit testing, it was determined that General Fund property tax related receivables and deferred revenues were inaccurately allocated between real property, personal property and machinery and tools and City Finance recorded adjustments accordingly (>$1M)

- During the conversion of general ledger systems, City Finance personnel identified that balances from GEMS were not brought over to MUNIS completely and accurately, such that adjustments to fiscal year 2015 beginning balances were needed for several funds - General Fund ($63,000 understated); HRWTF Fund ($7,000 overstated); Sewer Service Fund ($89,000 overstated).

- As a result of audit testing, it was determined that expenditures/expenses and accounts payables in the HRWTF Fund, the Sewer Service Fund, and the Recreation Fund were incorrectly recorded in the year-end general ledger by $133,000 (under accrued), $81,000 (over accrued), and $8,000 (under accrued), respectively.

- As a result of audit testing, it was determined that accounts receivable and bad debt expenses in the Sewer Service Fund were under recorded in the year-end general ledger by $916,000 and $333,000, respectively.

- Recordation of debt and related issuance activities:

    - When general obligation debt was issued, City Finance recorded the liability (credit entry) properly in the general ledger; however, the proceeds of the issuance were recorded as a direct reduction to net position (debit entry) and not to appropriate investment accounts. Consequently, bond proceed investment asset balances at US Bank were never recorded in the General Ledger (HRWTF - $5.5M);

    - Recording general obligation debt issuance costs as an asset and not expense in the General Fund ($45,000), and

    - Calculation of Governmental Activities' deferred gains on debt issuance and the amortization of premiums were not recorded until evidence of the amounts was requested for audit ($2.5M).

- Recording of intra-City amounts due to/from and transferred to/from various funds such that the overall activity did not net to zero, as required by GAAP.

- An HRWTF fund accrual for receivables and revenues due from the Commonwealth for the nitrogen project was never recorded within the general ledger ($1.7M).

- HRWTF and Sewer Service Funds' related accounts receivable balances had not been reviewed for collectability such that allowances for doubtful accounts (bad debt expense) had to be recorded (HRWTF - $198,000; Sewer Service - $1,220,000).

***Cause**:* The City's Finance Department lacks the technical critical mass to analyze the myriad of transactions the City enters into yearly. Internal control processes were not in place to monitor related account activities to ensure the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues, and expenditures/expenses.

Effect: The controls in place to close the year-end books, reconcile the balances, analyze the period transactions, and accumulate and assimilate such data into a timely, GAAP compliant financial report simply did not function, leading to the inefficient use of City Finance personnel, hours that would have been better served in other City Finance operations, and significant additional costs incurred related to external accounting services and for hours incurred for the external audit per the City's approved engagement scope.

Recommendation: We recommend the City address this people-centric need by considering the identification, hiring, and retaining of experienced accountants as a mission-critical, long-term objective. During the 2015 reporting process, the ineffective monitoring of financial activity, unfamiliarity with GAAP, and staff turnover exacerbated the City's inability to provide auditable and timely financial records. Over the years, the City has struggled to hire and retain experienced accountants within the Finance Department. There remains an ongoing struggle to fill vacancies with candidates possessing the skill sets needed for a fully-functioning financial accounting and reporting operation. This is consistent with our recommendation after the Fiscal Year 2014 financial audit and we cannot stress enough the need for the City to identify, hire, and retain experienced governmental accountants, specifically Certified Public Accountants, in key finance management positions and to strive to maintain a minimum of two such designations consistently within the financial operations. Additionally, a structured cross-training program should be implemented within financial operational functions (e.g., general accounting, accounts payable) aimed at expanding the skill sets of available team members to be utilized in periods of staff turnover or increased demands in a particular area.

Specific to certain functions, we recommend the City perform bank reconciliations monthly and reconcile intergovernmental activity quarterly with reconciling items being resolved within 45 days from the date that they are identified. We also recommend the City enhance its procedures for the review of cutoff activity between fiscal years and confirmation of amounts owed with key service providers and vendors to ensure all activity is properly accounted for and reported.

Views of Responsible Officials:

The City intends to comply with this request fully by hiring as soon as possible an Accounting Professional with a CPA to lead the department as the Director of Finance. City Council has also authorized the hiring of another higher level Accounting Professional to serve in an assistant's role to the Director as a Budget/Audit Specialist. Additionally, we have two current temporary Accounting Professionals who we will utilize to help complete the FY2016 and FY2017 CAFR's as soon as possible. It is our desire and intent to have all past due CAFR's completed and filed in time for the FY2018 audit cycle to flow normally and on-time.

The City will implement over the current fiscal year internal processes and procedures to mirror this recommendation. Many of these activities are now being performed as recommended but they will be memorialized through written SOP's.

2015-003: Material Weakness – Segregation of Duties and System Based Logical Access Controls

Criteria: Segregation of duties ("SOD") is fundamental to fraud risk management. Users with the ability to administer security to the financial applications should be segregated from users with the ability to administer the financial application's database and from those with end user capabilities to the financial applications. Information technology general computer controls related to access and system security must be evaluated periodically (at least annually), but especially in the year of a material change to the system of internal control.

***Condition*:** The City implemented MUNIS in September 2014. During our review of the IT internal control environment, we noted that the City does maintain proper segregation of duties over security, administration, and end user access to the financial application and database. Specifically, the City's Database Administrator has access to administer security within the MUNIS application, as well as being the administrator over the MUNIS database. Additionally, other end users of financial applications, including the Director of Finance, also have administrative permissions. These permissions could result in users having inappropriate access.

We noted that the City does not perform an annual review of access privileges to the MUNIS application. Access privileges to the MUNIS application should be periodically reviewed by the users' management to verify that the level of access still accurately reflects the minimum level required for the user to perform their job function and accurately reflects an appropriate level of segregation of duties within logical access.

We noted that the City's password and account lockout settings for the network do not match the settings defined within the City's Information Security Policy. Current settings include network password length of seven (7) characters and an account lockout threshold of seven (7) invalid attempts.

***Cause*:** The implementation of new financial systems is a complex process and represents a material change to the system of internal control. After the initial implementation, system based roles and responsibilities require an evaluation to determine whether inherent conflicts exist within the system based roles and responsibilities and then whether system roles and responsibilities are appropriately assigned to User Accounts based on the City's segregation of duties requirements and complimentary control elements in the City anti-fraud program of controls. The City had not re-evaluated its MUNIS system based roles and responsibilities for inherent conflicts and potential conflicts with assigned User Accounts and functional job responsibilities. Further, the City had not re-established periodic access review controls to ensure system based access continues to align with appropriate segregation of duties.

***Effect*:** Without a thorough review of system based roles, responsibilities, and end user access, the City is subject to an increased exposure to unintended consequences in the form of error and fraud until the control environment matures on the MUNIS environment and controls are placed in service.

***Recommendation*:** We recommend the City:

- Segregate users with the ability to administer security to the financial application from users with the ability to administer the financial application's database. In addition, the City should segregate access for users with the ability to administer security to the financial application from those with end user capabilities to the financial application. If access cannot be segregated, a mitigating control should be implemented to log all security changes made by the personnel and be periodically reviewed by an independent group.

- Perform scheduled periodic reviews of user access for the MUNIS application on an annual basis in order to identify unauthorized/inappropriate access based on job function, as well as to identify any terminated users who have remained active in the application. These reviews should be documented and changes identified during the access review should be processed in accordance with the access provisioning procedures. Also, the City should:

    - Perform a fraud risk assessment and verify functional segregation of duties and related anti-fraud control elements considered important.

    - Identify and verify key MUNIS forms and functions important to the segregation of duties and ensure that they are limited to only the desired MUNIS responsibilities consistent with the City's expectations.

    - Review end users' logical access against the end users' MUNIS responsibilities containing the aforementioned key forms and functions to ensure they remain appropriate given the employee/user's job responsibilities and duties, and the City's requirements for segregation of duties.

    - Design controls to operate on a quarterly basis to ensure all end user access remains appropriate considering a given employee's current job responsibilities, changes in employee status such as, new hires, terminations, and employee job rotation in the normal course of business.

    - Ensure that Information Technology personnel 1) do not have the responsibility for transaction and accounting duties normally performed by end users in the functional area and that 2) personnel administering security do not have responsibilities for programming, database management, or computer operations

    - Ensure controls are in place to ensure that all users are uniquely identified (i.e., there are no shared user IDs except for limited, read-only access).

- Consistent with industry best practices, we recommend password and account lockout settings should be set to the following to reflect the City's Information Security Policy - password length of eight (8) characters and an account lockout threshold of three (3) invalid attempts.

Views of Responsible Officials:

The City will rewrite our security and access policies as part of the policies and procedures mentioned in the prior response. All recommendations above will be considered and implemented when the rewrite occurs. Some of these recommendations have already been implemented, but will be memorialized in policy.

2015-004: Instance of Noncompliance – Commonwealth of Virginia Yearly Financial Reporting

***Criteria*:** Per Section 15.2-2510 of the *Code of Virginia*, local governments must submit their audited financial report to the Commonwealth of Virginia's Auditor of Public Accounts ("APA") by November 30 of each year.

***Condition*:** The City did not submit its audited financial report to the APA by the required date.

***Cause*:** The City's controls in place to close the year end books, reconcile the balances, analyze the period transactions, and assimilate and accumulate such data into a timely, GAAP compliant financial report simply did not function timely to meet the required deadline.

***Effect*:** Non-compliance with Commonwealth's requirements may result in sanctions.

***Recommendation*:** The City should implement corrective action aimed at enhancing internal controls to ensure that financial reporting is made in accordance with Section 15.2-2510 of the *Code of Virginia*.

Views of Responsible Officials:

The City has brought in additional temporary staff and will be hiring permanent accounting professionals as well at the earliest convenience in order to work towards getting the late CAFR's (FY2016 and FY2017) completed prior to the end of the current fiscal year and to start and finish the FY2018 CAFR on time. The rewrite of our policies and procedures into a SOP will memorialize the finance and accounting processes so that repeats of the current issues will not occur.

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