



CITY OF HOPEWELL
Hopewell, Virginia 23860

SPECIAL MEETING
AGENDA

PHONE: 541-2249
FAX: 541-2248

e-mail: info@hopewellva.gov
www.hopewellva.gov
rarrington@hopewellva.gov

CITY COUNCIL

Jackie M. Shornak, Mayor, Ward #7
Jasmine E. Gore, Vice Mayor, Ward #4
Christina J. Luman-Bailey, Councilor, Ward #1
Arlene Holloway, Councilor, Ward #2
Anthony J. Zevgolis, Councilor, Ward #3
Janice Denton, Councilor, Ward #5
Brenda S. Pelham, Councilor, Ward #6

Mark A. Haley, City Manager
Stefan M. Calos, City Attorney
Ronnieye Arrington, City Clerk

Date: August 29, 2017

Office of the
Auditor of Public Accounts
101 North 14th Street, 1st Floor
Richmond, Virginia 23219

Special Meeting: 9:30 am

OPEN MEETING

9:30 a.m. Call to order, roll call, and welcome to visitors

MOTION: To amend/adopt agenda

Roll Call

Special Business

- SB-1** Discussion of financial matters relating to the Comprehensive Annual Financial Report for FY2015, FY2016 and FY2017—Auditor of Public Accounts Office
- SB-2** Discussion of financial matters relating to the budget FY2015, FY2016 and FY2018—Office of the State Inspector General (*OSIG is attending this meeting as a guest, and is neither a presenter nor participant*)
- SB-3** Discussion of financial matters relating to the Comprehensive Annual Financial Report for FY2015—Cherry Bekaert
- SB-4** Discussion of the fiscal stress survey—Auditor of Public Accounts Office
- SB-5** Discussion of the FY2018 budget, including MUNIS applications
- SB-6** Discussion of the FY2018 budget resolution

CLOSED MEETING

MOTION: To go into closed meeting for (1) discussion of performance of specific appointees of city council (city manager); and (2) consultation with legal counsel employed or retained by city council related thereto and regarding specific legal matters requiring the provision of legal advice by such counsel, in accordance with Virginia Code §§ 2.2-3711 (A) (1) and (8), respectively.

RECONVENE OPEN MEETING

CERTIFICATION PURSUANT TO VIRGINIA CODE § 2.2-3712 (D): *Were only public business matters (1) lawfully exempted from open-meeting requirements and (2) identified in the closed-meeting motion discussed in closed meeting?*

Roll Call

Adjournment

SB-1

CITY OF HOPEWELL, VIRGINIA



**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2014**

CITY OF HOPEWELL, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

Prepared by
Department of Finance
Jerry L. Whitaker, CPA, CGFM, Director

INTRODUCTORY SECTION

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 Comprehensive Annual Financial Report
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MEMBERS OF THE CITY COUNCIL

Michael C. Bujakowski, Mayor

Jasmine E. Gore, Vice-Mayor

Christina J. Luman-Bailey Roosevelt Edwards, Jr.

K. Wayne Walton Brenda S. Pelham

Jackie M. Shornak

CITY OFFICIALS

Mark A. Haley, City Manager

David C. Fratarangelo, 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 H. Sodat, Jr., Sheriff

Dr. John A. 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

Mary Jo Turek, Director of Recreation

Donald R. Hunter, II, Chief, Fire Department

John F. Keohane, Chief, Police Department

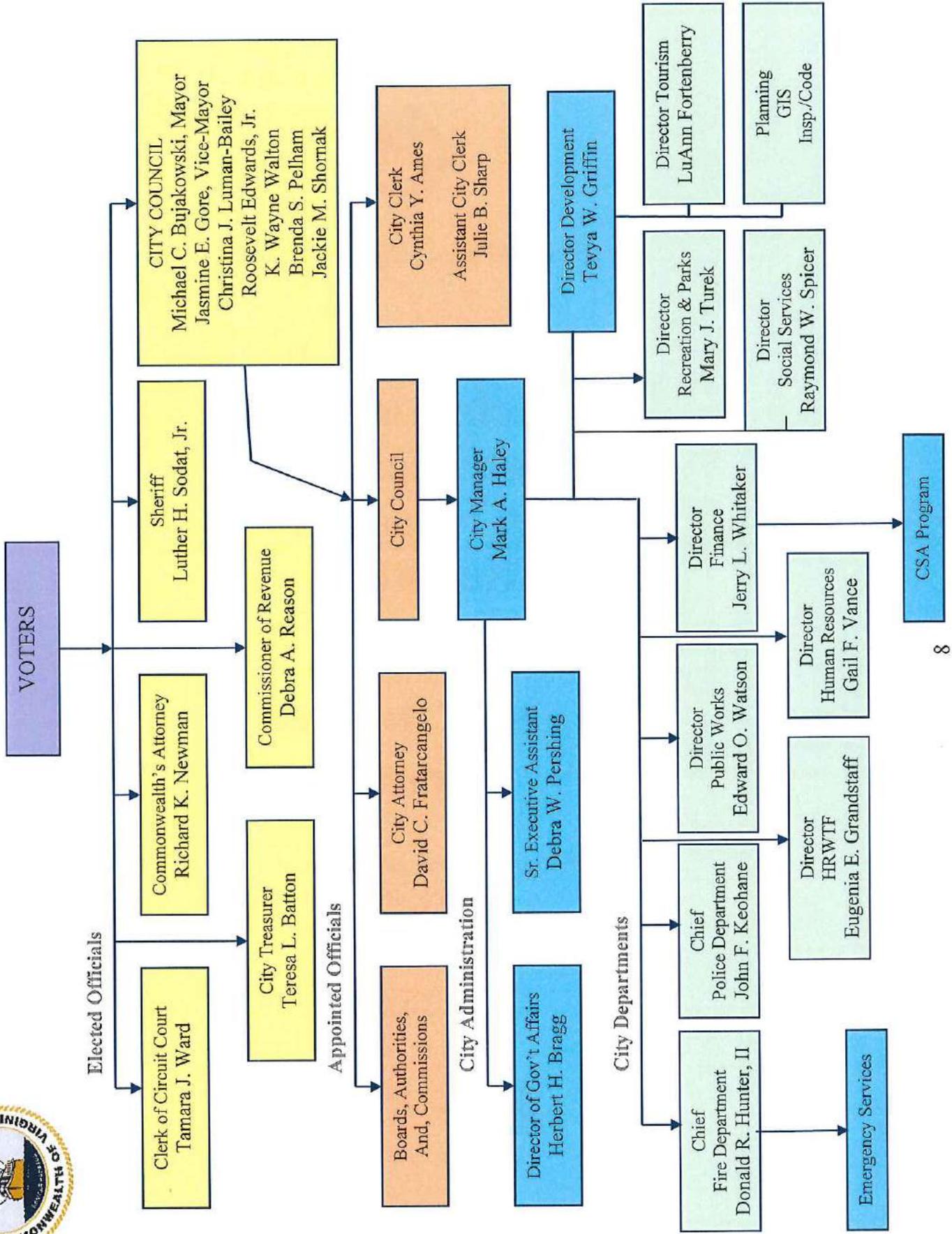
Jerry L. Whitaker, CPA, CGFM, Director of Finance

Herbert Bragg, Director of Governmental Affairs

Gail F. Vance, Director of Human Resources



CITY OF HOPEWELL ORGANIZATIONAL CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Hopewell
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



June 23, 2015

Mark A. Haley
City Manager

mhaley@hopewellva.gov
p: 804.541.2243
f: 804.541.2248

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, 2014 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. These services include police and fire protection; sanitation services; health and social services; the construction and maintenance of roads, streets, other infrastructure, and recreational activities and cultural events. In addition to general government activities, the operations of the Hopewell Regional Wastewater Treatment Facility are also part of the primary government and 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 2014:

- The opening of the Beacon Theatre in January 2014 was a major milestone for the City. This \$4.5 million project will be a lasting legacy for all citizens and will facilitate many entertainment options from concerts to plays and event space for business and family functions.
- Hopewell City Marina also received a \$1.5 million facelift including new covered slips and a marina store, two new boat ramps, new restrooms and shower facilities, and parking lot paving.

Finance

- The City began implementation of a new software system to replace several of our current software systems with one system to handle almost all of our departments' operational and reporting needs in one software system. The new system will enable better and timely financial reporting, provide transparency in government by providing access to financial and tax information from the web; will be less costly to maintain in staff's time and annual maintenance fee; and will increase operational efficiency within departments and the City as a whole.

Fire

- New Fire Chief Donald Hunter, Jr was hired and assumed command in June 2014.

HRWTF

- Awarded a \$70 million design/build contract under the State PPEA requirements to Hopewell Nutrient Partners for the design and construction to upgrade the Regional Facility to remove nutrients.
- Received a \$52 million Water Quality Improvement Grant (WQIF) from Virginia Department of Environmental Quality (DEQ) for design and construction of the new plant upgrade to remove nutrients. This upgrade will aid economic development opportunities for local industry by treating the wastewater to a much higher level.

Neighborhood Assistance and Planning

- Coordinated the permitting and inspections needed for over 300 construction and development projects such as: the new Wellness Pavilion at John Randolph Medical Center, demolition and rebuild of former Langston Park site into the Summit.
- The new guidelines manual developed for the Historic District was completed by the Architectural Review Board.

Police

- Virginia State Accreditation - Hopewell PD retained its status as the 85th Law Enforcement Agency to be accredited in the Commonwealth.
- Total major crime dropped 14%.
- Improvements to the Hopewell Animal Shelter were initiated in 2013 and construction on a new wing will be completed in 2015.

Public Works

- Awarded contract for the design of two new public safety buildings for Police and Fire Departments. Hopewell has not built a new Fire Station since 1928.

Recreation & Parks

- Physical improvement to the Community Center. New roof installed and pool painted.
- A 'inclusive' play area was installed at City Point Park with grant assistance for the local Civitan Club as well a Kaboom grant.

Social Services

- City provided \$1,539,000 in local funds to leverage over \$57 million in state and federal assistance to provide Medicaid coverage SNAP and TANF benefits to approximately 12,000 City residents.

Tourism

- Tourism activities and operation of the Hopewell Visitor's Center were contracted out to the Hopewell/Prince George Chamber of Commerce in a joint venture with Prince George County. This partnership is a win-win for both the County and the City by reducing costs with increased levels of service to our visitors.

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 function 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, 2014 provided one instance of deficiencies in the internal control structure, but no significant violations of applicable laws and regulations.

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 include General, Special Revenue, and Capital Projects plus the School Board and Comprehensive Services Act Board component units approximated \$100,069,000 in 2014. This represents a decrease of approximately \$830,000 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 \$1,319,919,500 were consistent with the prior year. Property tax collections were 93.02% of the tax levy, which is consistent with 97.55% from last year. The ratio of total collections (current and delinquent) to the current tax levy was 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 \$105,370,000 in 2014. This represents an increase of approximately \$4,241,000, or less than 4%, over 2013.

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 \$3,294,763 on June 30, 2014. This represents a decrease of \$2,815,319. Obligated fund balances are: \$106,019 for non-spendable inventory, assigned fund balances include: \$400,000 for cemetery perpetual care, \$657,357 for fire equipment replacement, \$4,605,700 for rainy day emergency response, \$878,866 for the self-insurance fund, and \$779,000 for next year's budget.

The Virginia Public Assistance Fund's assigned fund balance was \$280,291 at year end.

Capital Projects Fund expenditures amounted to \$11,019,623 of which \$4,190,524 was spent on community development and infrastructure improvements and \$5,677,340 was for long-term debt service.

The Capital Projects Fund assigned fund balance at June 30, 2014 was \$15,154,520 of which \$5,789,508 is 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 interfund transfers from the General Fund.

The Hopewell Regional Wastewater Treatment Facility Fund had a net gain of \$3,049,362 for the year ended June 30, 2014. The Sewer Service Fund had a net loss of \$782,977 with unrestricted net assets of \$18,478,896 as of June 30, 2014. The Solid Waste Fund had a net loss of \$179,911, leaving unrestricted net assets of \$1,894,444 as of June 30, 2014. The Beacon Theater Fund had a net loss of \$139,019 for the year ended June 30, 2014.

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 the 2014 fiscal year were as follows:

	<u>Amount</u>	<u>Ratio of debt to assessed value</u>	<u>Debt per capita</u>
Bonded Debt	\$ 60,516,432	4.64%	\$ 2,679

Of the General Obligation bonded debt outstanding at June 30, 2014, \$24,062,132 was School bonds, \$3,021,800 was School literary loans, and \$33,432,500 represented City public improvement bonds. In addition to the bonded debt, general long-term obligations of the City at June 30, 2014 include \$990,359 for compensated absences, \$583,868 for landfill closure maintenance costs, \$4,899,178 for OPEB liability and \$230,082 in unamortized bond premium.

Prospects for the Future

City Council adopted a budget of \$93,792,400 for its general governmental funds (General Fund, Special Revenue Funds, Component Units, and Capital Projects Funds) for fiscal year 2014-15.

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 independent auditors' report on the general purpose financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The independent auditors' reports related specifically to the single audit requirements are included in the compliance section of this report.

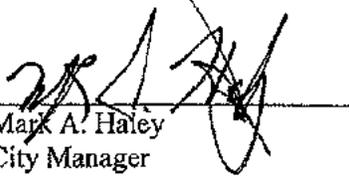
Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hopewell for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the twenty-eighth consecutive year the City received this award.

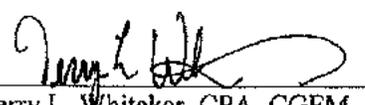
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

ACKNOWLEDGMENTS

This report could not have been prepared 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 the primary role in the financial report preparation. We also wish to thank the Commissioner of the Revenue, the City Treasurer, their staffs and members of the Assessor and Department of Development offices who provided invaluable assistance in preparation of the report. Finally, we would like to thank the Mayor and members of City Council for their continued interest and support in planning and conducting the financial operations of the City in a responsible and responsive manner.



Mark A. Haley
City Manager



Jerry L. Whitaker, CPA, CGFM
Director of Finance

Report of Independent Auditor

To the Honorable Members of the 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 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, 2014, 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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, 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 Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. 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, budgetary comparison and retirement information and related notes on pages 18-25, 69-70 and 71-73, respectively, 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Other Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and the Schedule of Expenditures of Federal Awards are 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 June 23, 2015, 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.

Cheryl Behrnt CP

Richmond, Virginia
June 23, 2015

City of Hopewell, Virginia

Management's Discussion and Analysis Year Ended June 30, 2014

The Honorable Members of City Council:

This section of the City of Hopewell, Virginia annual financial report presents our management discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS (amounts rounded)

- Total net position was \$60.4 million for the City's Primary Government. Of this total, \$32.8 million were for our business-type activities.
- In the City's business-type activities, operating and non-operating revenues equaled \$22.4 million while expenses were \$21.1 million.
- The total cost of all the City's programs and services was \$119.9 million.
- During this year, the net position of the City's governmental activities decreased by \$1,080,102.

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 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	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • 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 Treatment Plant, Sewer Services, and Solid Waste are included here. The Beacon Theater 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 Fund. 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, 2014

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	2013-2014
Current and other assets	\$31,455,563	\$46,266,726	\$32,012,305	\$30,681,408	\$63,467,868	\$76,948,134	21.24%
Capital assets	62,268,252	61,335,535	39,474,388	41,970,850	101,742,640	103,306,385	1.54%
Total Assets	93,723,815	107,602,261	71,486,693	72,652,258	165,210,508	180,254,519	
Current Liabilities	6,610,385	5,939,344	4,640,134	5,538,945	11,250,519	11,478,289	2.02%
Long-term liabilities	57,956,958	64,026,848	35,306,140	34,267,821	93,263,098	98,294,669	5.40%
Total Liabilities	64,567,343	69,966,192	39,946,274	39,806,766	104,513,617	109,772,958	
Deferred Inflows of Resources	-	10,035,390	-	43,693	-	10,079,083	100.00%
Net Position:							
Net Investment in capital assets	8,237,548	9,806,936	5,573,075	11,156,352	13,810,623	20,963,288	51.79%
Restricted	472,833	464,911	-	-	472,833	464,911	(1.68%)
Unrestricted	20,446,091	17,328,832	25,967,344	21,645,447	46,413,435	38,974,279	(16.03%)
Total Net Position	\$29,156,472	\$27,600,679	\$31,540,419	\$32,801,799	\$60,696,891	\$60,402,478	

Total net position decreased approximately \$1.1 million during the current fiscal year for the City's governmental activities.

Total net position increased approximately \$1.9 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 1% over 2013. At the same time, expenses increased by 9% over 2013. The combined revenues and expenses created a decrease in net position of \$1,080,102.

Business-type Activities

Charges for services of the City's business-type activities increased 13%, and expenses increased by 16%. The combined revenues and expenses created an increase in net position of \$1,947,455.

Table A-2

City of Hopewell, Virginia
Changes in Net Position
For the year ended June 30, 2014

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>Change</u>
<u>2013-2014</u>							
Revenues							
Program revenues:							
Charges for services	\$873,932	\$907,526	\$18,358,264	\$22,385,729	\$19,232,196	\$23,293,255	21.12%
Federal/state operating grants	10,227,954	9,987,193	-	-	10,227,954	9,987,193	(2.35%)
Federal/state capital grants	481,634	316,105	-	-	481,634	316,105	(34.37%)
General revenues:							
Property taxes	25,324,405	25,585,445	-	-	25,324,405	25,585,445	1.03%
Other taxes	10,481,428	10,335,843	-	-	10,481,428	10,335,843	(1.39%)
Other	3,549,908	3,328,131	1,746,180	268,690	5,296,088	3,596,821	(32.09%)
Total Revenues	50,939,261	50,460,243	20,104,444	22,654,419	71,043,705	73,114,662	
Expenses							
General government	8,482,373	9,598,375	-	-	8,482,373	9,598,375	13.16%
Judicial	2,217,984	2,598,072	-	-	2,217,984	2,598,072	17.14%
Public safety	11,720,652	14,012,598	-	-	11,720,652	14,012,598	19.55%
Public works	711,805	1,540,362	-	-	711,805	1,540,362	116.40%
Health & welfare	5,259,409	5,363,582	-	-	5,259,409	5,363,582	1.98%
Education	13,675,250	13,266,424	-	-	13,675,250	13,266,424	(2.99%)
Parks, recreation, and cultural	2,462,345	2,530,959	-	-	2,462,345	2,530,959	2.79%
Community development	729,140	896,763	-	-	729,140	896,763	22.99%
Interest on long-term debt	1,655,027	1,325,884	-	-	1,655,027	1,325,884	(19.89%)
Public utilities	-	-	18,163,995	21,114,290	18,163,995	21,114,290	16.24%
Total Expenses	46,913,985	51,133,019	18,163,995	21,114,290	65,077,980	72,247,309	
Transfers, net	(66,495)	(\$407,326)	66,495	407,326	-	-	
Increase in Net Position	\$ 2,865,276	\$(1,080,102)	\$ 1,940,449	\$ 1,947,455	\$ 5,965,725	\$ 867,353	

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 65% of the \$51.1 million total costs of services.
- However, the amount that our taxpayers paid for these activities was \$39.9 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.

City of Hopewell, Virginia
Net Cost of Certain Governmental Activities
For the year ended June 30, 2014

	<u>Total Cost</u> <u>of Services</u>		<u>Percentage</u> <u>Change</u>	<u>Net Cost</u> <u>of Services</u>		<u>Percentage</u> <u>Change</u>
	<u>2013</u>	<u>2014</u>	<u>2013-2014</u>	<u>2013</u>	<u>2014</u>	<u>2013-2014</u>
Public Safety	\$ 11,720,652	\$ 14,012,598	19.55%	\$ 12,713,965	\$ 12,713,965	0.00%
Public Works	711,805	1,540,362	116.40%	(2,226,304)	(2,226,304)	0.00%
Health & Welfare	5,259,409	5,363,582	1.98%	2,229,467	2,229,467	0.00%
Education	13,675,250	13,266,424	(2.99%)	13,266,424	13,266,424	0.00%
Other	15,546,869	16,950,053	9.03%	13,938,643	13,938,643	0.00%
Total	\$ 46,913,985	\$ 51,133,019		\$ 39,922,195	\$ 39,922,195	

BALANCE SHEET DETAIL**FINANCIAL ANALYSIS OF THE CITY'S GENERAL FUND**

The City closed this year with its General Fund reporting an unassigned fund balance of \$3,294,763 million. After adjusting assigned account balances at year-end, the General Fund balance showed a net decrease of \$2,424,669.

FINANCIAL ANALYSIS OF THE CITY'S CAPITAL PROJECTS FUND

The City closed this year with its Capital Projects Fund reporting an assigned fund balance of \$15.1 million, which is approximately \$1.4 million more than last year.

FINANCIAL ANALYSIS OF THE CITY'S VIRGINIA PUBLIC ASSISTANCE FUND

The City closed this year with its public welfare fund reporting an assigned fund balance of \$280,291. For this reporting period, revenues exceeded expenditures by \$64,420.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council amended the City budget. These budget amendments fall into two categories:

- Amendments and appropriations approved after the beginning of the year to reflect prior year encumbrances that must be re-authorized for expenditure in the "new" budget year.
- Changes made to the budget midyear to address the budget priorities that changed the allocation of resources.
- Increases in appropriations for budget items occurring during the year that were not part of the original budget.

Even with these adjustments, actual expenditures were within approximately \$296,000 of final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the City had invested \$103.3 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, 2014

	Governmental		Business-type		Total		Total
	Activities		Activities				Percentage
	2013	2014	2013	2014	2013	2014	Change
Land	\$ 6,622,991	\$ 6,622,991	\$ 442,046	\$ 598,419	\$ 7,065,037	\$ 7,221,410	2.21%
Buildings, system improvements, and infrastructure	29,096,156	28,582,060	31,656,589	34,651,313	60,752,745	63,233,373	4.08%
Equipment	2,686,594	3,635,398	2,685,667	3,072,482	5,372,261	6,707,880	24.86%
Construction in Progress	-	-	6,461,034	3,648,636	6,461,034	3,648,636	(43.53%)
Jointly-Owned Assets	23,862,511	22,495,086	-	-	23,862,511	22,495,086	(5.73%)
Total	\$ 62,268,252	\$ 61,335,535	\$ 41,245,336	\$ 41,970,850	\$ 103,513,588	\$ 103,306,385	

There were no major capital asset additions in fiscal year 2014. More detailed information on capital assets can be found in footnote 5 to the financial statements.

The City's fiscal year 2015 capital projects budget is \$6.6 million of which \$3.9 million is for debt service.

LONG-TERM DEBT- Government Activities

At year-end, the City had \$60.5 million in General Obligation bonds and Literary Loans outstanding, an increase of 10% 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, 2014

	Governmental		Business-type		Total		Total
	Activities		Activities				Percentage
	2013	2014	2013	2014	2013	2014	Change
General obligation bonds	\$ 51,595,511	\$ 57,473,287	\$ -	\$ -	\$ 51,595,511	\$ 57,473,287	11.39%
Literary loans	3,496,000	3,021,800	-	-	3,496,000	3,021,800	(13.56%)
Revenue bonds	-	-	34,830,000	33,680,000	34,830,000	33,680,000	(3.30%)
Total	\$ 55,091,511	\$ 60,495,087	\$ 34,830,000	\$ 33,680,000	\$ 89,921,511	\$ 94,175,087	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Unemployment in the City at June 30, 2014 stood at 7.9% versus 8.8% a year ago.
- Inflation in the tri-cities metropolitan areas continues to track the national consumer price index due in part to the residential housing market and to lower energy costs.
 - The South-urban, all items, 1982-84 base CPI index change was 1.0% from June, 2008 - June, 2009.
 - The U. S city average, all items, 1982-84 base CPI index change was -1.0% from June, 2008 - June, 2009.

These indicators and other goals were taken into account when adopting the general fund budget for 2015. Amounts available for appropriation in the general fund budget are \$46.1 million. Property taxes and public service corporation taxes are expected to provide the majority of General Fund revenues.

Budgeted expenditures are expected to rise to \$46.1 million.

It is estimated that the City's unassigned general fund balance will not change at the close of 2015 as the result of the adoption of a balanced budget for FY2015. As for the City's business-type activities, we expect the 2015 results to improve the financial position in a minimum amount.

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 money it receives. If you have questions about this report or need additional financial information, contact the City of Hopewell Finance Office, 300 N. Main Street, Hopewell, VA 23860 or call 804-541-2306.

City of Hopewell, Virginia
Statement of Net Position
June 30, 2014

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-type Activities	Total	School Board	Comprehensive Services Act Board
Assets					
Cash and investments	\$ 19,406,727	\$ 24,057,468	\$ 43,464,195	\$ 6,063,495	\$ -
Taxes receivable	9,884,443	-	9,884,443	-	-
Accounts receivable	433,869	3,349,973	3,783,842	58,380	-
Note receivable	-	47,678	47,678	-	-
Interest receivable	1	17,227	17,228	-	-
Due from School Board, current portion	105,418	-	105,418	-	-
Due from other governmental units	956,326	-	956,326	1,688,881	692,167
Internal balances	4,591,648	(4,591,648)	-	-	-
Inventories	106,019	1,119,062	1,225,081	51,268	-
Prepaid expenses	-	981,368	981,368	-	-
Restricted assets:					
Cash and investments (in custody of others)	9,176,570	2,733,590	11,910,160	-	-
Due from School Board, net of current portion	1,605,705	-	1,605,705	-	-
Note receivable, net of current portion	-	2,966,690	2,966,690	-	-
Capital assets, net of accumulated depreciation:					
Land	6,622,991	598,419	7,221,410	474,629	-
Buildings, system improvements, and infrastructure	51,077,148	34,651,313	85,728,459	25,380,575	-
Machinery and equipment	3,835,398	3,072,482	6,707,880	3,052,209	-
Work in progress	-	3,648,636	3,648,636	-	-
Total assets	<u>107,602,261</u>	<u>72,652,258</u>	<u>180,254,519</u>	<u>36,768,437</u>	<u>692,167</u>
Liabilities					
Accounts payable	1,870,046	1,071,860	2,741,906	517,642	691,520
Accrued liabilities	500,332	2,911,351	3,411,683	4,495,039	647
Accrued interest payable	597,240	-	597,240	-	-
Due to Primary Government, current portion	-	-	-	105,418	-
Due to other governmental units	-	175,529	175,529	-	-
Long-term liabilities:					
Due within one year	3,171,726	1,380,205	4,551,931	222,854	-
Due to Primary Government, net of current portion	-	-	-	1,605,705	-
Due in more than one year	64,026,848	34,267,821	98,294,669	1,548,847	-
Total liabilities	<u>69,966,192</u>	<u>39,806,786</u>	<u>109,772,958</u>	<u>8,496,505</u>	<u>692,167</u>
Deferred Inflows of resources					
Deferred gain on refunding	121,999	43,693	165,692	-	-
Unearned revenues	9,913,391	-	9,913,391	32,020	-
Total deferred Inflows of resources	<u>10,035,390</u>	<u>43,693</u>	<u>10,079,083</u>	<u>32,020</u>	<u>-</u>
Net position					
Net investment in capital assets	9,806,936	11,156,352	20,963,288	27,196,190	-
Restricted for:					
Perpetual care	400,000	-	400,000	-	-
Other	64,911	-	64,911	1,183,046	-
Unrestricted	17,328,832	21,645,447	38,974,279	(138,324)	-
Total net position	<u>\$ 27,600,679</u>	<u>\$ 32,801,799</u>	<u>\$ 60,402,478</u>	<u>\$ 28,240,912</u>	<u>\$ -</u>

City of Hopewell, Virginia
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Comprehensive Services Act Board
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental activities:								
General government administration	\$ 9,598,375	\$ 3,718	\$ 1,817,574	\$ -	\$ (7,777,083)	\$ -	\$ (7,777,083)	\$ -
Judicial administration	2,598,072	66,938	605,792	-	(1,925,342)	-	(1,925,342)	-
Public safety	14,012,598	555,568	743,065	-	(12,713,965)	-	(12,713,965)	-
Public works	1,540,362	7	3,680,618	106,041	2,226,304	-	2,226,304	-
Health and welfare	5,363,582	-	3,134,115	-	(2,229,487)	-	(2,229,487)	-
Education	13,266,424	-	-	-	(13,266,424)	-	(13,266,424)	-
Parks, recreation, and cultural	2,530,959	198,885	20,330	-	(2,311,744)	-	(2,311,744)	-
Community development	886,763	82,410	5,699	210,084	(598,590)	-	(598,590)	-
Interest on long-term debt	1,325,884	-	-	-	(1,325,884)	-	(1,325,884)	-
Total governmental activities	\$ 51,133,019	\$ 907,626	\$ 9,987,193	\$ 316,105	\$ (39,922,195)	\$ -	\$ (39,922,195)	\$ -
Business-type activities:								
Hopewell Regional Wastewater Facilities Fund	10,666,876	13,713,797	-	-	-	3,046,921	3,046,921	-
Sewer Service Fund	7,146,004	6,189,345	-	-	-	(956,659)	(956,659)	-
Solid Waste Fund	2,357,067	2,176,931	-	-	-	(180,136)	(180,136)	-
Beacon Theater Fund	944,343	305,656	-	-	-	(638,687)	(638,687)	-
Total business-type activities	\$ 21,114,290	\$ 22,395,729	\$ -	\$ -	\$ -	\$ 1,271,439	\$ 1,271,439	\$ -
Total Primary Government	\$ 72,247,309	\$ 23,293,255	\$ 9,987,193	\$ 316,105	\$ (39,922,195)	\$ 1,271,439	\$ (38,650,756)	\$ -
Component units:								
School Board	43,692,062	653,945	32,095,695	-	-	-	-	(10,942,422)
Comprehensive Services Act Board	3,938,374	-	2,726,972	-	-	-	-	(1,211,402)
Total component units	\$ 47,630,436	\$ 653,945	\$ 34,822,667	\$ -	\$ -	\$ -	\$ (10,942,422)	\$ (1,211,402)
General revenues:								
General property taxes					25,585,445		25,585,445	
Local sales tax					2,048,011		2,048,011	
Business license tax					1,773,174		1,773,174	
Communications tax					805,386		805,386	
Restaurant food taxes					1,776,247		1,776,247	
Other local taxes					3,933,025		3,933,025	
Unrestricted from use of money and property					78,481		78,481	411
Miscellaneous					1,620,797		1,620,797	87,395
Grants and contributions not restricted to specific programs					1,628,873		1,628,873	11,912,590
Transfers, net					(407,326)		(407,326)	1,164,256
Total general revenues					\$ 38,842,093		\$ 38,842,093	\$ 12,000,396
Change in net position					(1,080,102)		1,947,455	1,057,974
Net position - beginning, as restated (Note 16)					29,680,781		30,854,344	27,182,938
Net position - ending					\$ 27,600,679		\$ 32,801,799	\$ 28,240,912

**City of Hopewell, Virginia
Balance Sheet
Governmental Funds
June 30, 2014**

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 13,412,588	\$ 48,320	\$ 5,648,079	\$ 297,760	\$ 19,406,727
Receivables (net of allowance for uncollectibles)					
Taxes receivable	9,884,443	-	-	-	9,884,443
Accounts receivable	87,010	2	346,848	9	433,869
Interest receivable	2	-	-	-	2
Due from other funds	62,978	-	-	-	62,978
Due from School Board	-	-	1,711,123	-	1,711,123
Due from other governmental units	699,732	256,594	-	-	956,326
Advance to Beacon Theater	-	-	4,591,648	-	4,591,648
Inventories	106,019	-	-	-	106,019
Restricted assets:					
Cash and investments	-	-	9,176,570	-	9,176,570
Total Assets	\$ 24,252,752	\$ 304,916	\$ 21,474,268	\$ 297,769	\$ 46,329,705
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	1,112,296	1,938	530,240	25,573	1,670,047
Accrued liabilities	467,073	22,687	-	10,572	500,332
Due to other funds	-	-	-	62,978	62,978
Total Liabilities	1,579,369	24,625	530,240	99,123	2,233,357
DEFERRED INFLOWS OF RESOURCES					
Unearned tax revenues	9,731,190	-	-	-	9,731,190
Unavailable tax revenues	1,564,034	-	-	-	1,564,034
	11,295,224	-	-	-	11,295,224
Fund balances:					
Non-spendable:					
Inventories	106,019	-	-	-	106,019
Perpetual care	400,000	-	-	-	400,000
Restricted for capital projects	-	-	5,789,508	-	5,789,508
Assigned:					
Fire department equipment	657,357	-	-	-	657,357
Next year budget	779,000	-	-	-	779,000
Perpetual care	656,454	-	-	-	656,454
Rainy day emergency	4,605,700	-	-	-	4,605,700
Self-insurance	878,866	-	-	-	878,866
Assigned to funds	-	280,291	15,154,520	198,646	15,633,457
Unassigned	3,294,763	-	-	-	3,294,763
Total fund balances	11,378,159	280,291	20,944,028	198,646	32,801,124
Total Liabilities, Deferred Inflows and Fund Balances	\$ 24,252,752	\$ 304,916	\$ 21,474,268	\$ 297,769	\$ 46,329,705

City of Hopewell, Virginia
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2014

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 32,801,124
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	61,335,535
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned in the funds.	
Uncollected taxes receivable	1,381,833
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	(57,473,287)
Bond issuance premium	(230,082)
State literary fund loans payable	(3,021,800)
Landfill closure liability	(583,868)
Accrued interest payable	(597,240)
Other postemployment benefit obligations	(4,899,178)
Deferred amount of refunding	(121,999)
Compensated absences	(990,359)
	<u>(67,917,813)</u>
Net position of governmental activities	<u>\$ 27,600,679</u>

City of Hopewell, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 25,308,595	\$ -	\$ -	\$ -	\$ 25,308,595
Other local taxes	6,159,304	-	2,435,875	-	8,595,179
Permits, privilege fees, and regulatory licenses	105,139	-	-	-	105,139
Fines and forfeitures	1,561,049	-	-	-	1,561,049
Revenues from the use of money and property	49,838	8	28,603	142,208	220,657
Charges for services	626,224	-	-	57,982	684,206
Miscellaneous	1,391,986	-	615,972	75,155	2,083,113
Recovered costs	884,500	-	-	-	884,500
Intergovernmental revenues:					
Local government	-	-	-	15,330	15,330
Commonwealth	8,102,766	1,117,363	106,041	5,699	9,331,869
Federal	358,156	2,016,752	-	216,033	2,590,941
Total revenues	<u>44,547,557</u>	<u>3,134,123</u>	<u>3,186,491</u>	<u>512,407</u>	<u>51,380,578</u>
EXPENDITURES					
Current:					
General government administration	3,887,357	-	-	-	3,887,357
Judicial administration	2,347,692	-	-	-	2,347,692
Public safety	13,363,832	-	-	-	13,363,832
Public works	3,924,013	-	-	3,263	3,927,276
Health and welfare	1,638,848	3,620,403	-	-	5,259,251
Education	9,635,915	-	1,151,759	-	10,787,674
Parks, recreation, and cultural	605,374	-	-	1,559,681	2,165,055
Community development	611,387	-	-	278,153	889,540
Nondepartmental	1,056,007	-	-	-	1,056,007
Capital projects	-	-	4,190,524	-	4,190,524
Debt service:					
Principal retirement	1,550,468	-	3,905,956	-	5,456,424
Interest and other fiscal charges	1,280,781	-	1,771,384	-	3,052,165
Total expenditures	<u>39,901,874</u>	<u>3,620,403</u>	<u>11,019,623</u>	<u>1,841,097</u>	<u>56,382,797</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,645,883</u>	<u>(486,280)</u>	<u>(7,833,132)</u>	<u>(1,328,690)</u>	<u>(5,002,219)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	550,700	4,824,826	1,287,700	6,663,226
Operating transfers out	(7,070,552)	-	-	-	(7,070,552)
Proceeds from issuance of bonds	-	-	10,860,253	-	10,860,253
Total other financing sources (uses), net	<u>(7,070,552)</u>	<u>550,700</u>	<u>15,685,079</u>	<u>1,287,700</u>	<u>10,452,927</u>
Net change in fund balances	(2,424,669)	64,420	7,851,947	(40,990)	5,450,708
Fund balance - beginning	13,802,828	215,871	13,092,081	239,636	27,350,416
Fund balance - ending	<u>\$ 11,378,159</u>	<u>\$ 280,291</u>	<u>\$ 20,944,028</u>	<u>\$ 198,646</u>	<u>\$ 32,801,124</u>

City of Hopewell, Virginia
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds \$ 5,450,708

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	2,315,322	
Jointly-owned assets adjustment	(999,423)	
Depreciation expense	<u>(2,248,616)</u>	(932,717)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes		276,847
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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	18,428	
Principal payments on debt	5,456,424	
Proceeds on issuance of new debt	(10,860,000)	
Amortization of deferred amount of refunding	(121,999)	
Increase in landfill closure liability	<u>(8,061)</u>	(5,515,208)

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	73,380	
Increase in other postemployment benefit payable	(500,167)	
Decrease in compensated absences	<u>67,055</u>	(359,732)

Change in Net Position of governmental activities \$ (1,080,102)

City of Hopewell, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities - Enterprise Funds				Total
	Hopewell Regional Wastewater Facilities Fund	Sewer Service Fund	Solid Waste Fund	Beacon Theater Fund	
Assets					
Current assets:					
Cash and investments	\$ 7,077,803	\$ 15,541,843	\$ 1,428,160	\$ 9,882	\$ 24,057,468
Accounts receivable, net of allowances for uncollectibles	1,622,786	973,069	563,588	189,210	3,348,663
Note receivable	-	47,678	-	-	47,678
Interest receivable	-	18,537	-	-	18,537
Due from HRWTF	-	160,270	-	-	160,270
Inventories	1,119,062	-	-	-	1,119,062
Prepaid expenses	491,414	478,964	-	10,990	981,368
Total current assets	10,310,865	17,220,361	1,991,758	210,062	29,733,046
Noncurrent assets:					
Restricted assets:					
Cash and investments	359,841	2,373,749	-	-	2,733,590
Total restricted assets	359,841	2,373,749	-	-	2,733,590
Note receivable	-	2,966,890	-	-	2,966,890
Capital assets:					
Land	216,026	97,920	-	284,473	598,419
Utility plant in service and buildings	10,484,614	501,878	-	5,661,851	16,648,343
Sewer main improvements	-	33,327,070	-	-	33,327,070
Machinery and equipment	53,420,734	899,308	31,230	282,809	54,634,081
Work in progress	904,178	2,744,468	-	-	3,648,638
Accumulated depreciation	(60,215,786)	(6,469,192)	(12,492)	(188,249)	(66,885,699)
Total capital assets	4,809,786	31,101,442	18,738	6,040,884	41,970,850
Total noncurrent assets	5,189,627	36,441,861	18,738	6,040,884	47,671,130
Total assets	15,480,492	53,662,242	2,010,496	6,250,946	77,404,176
Liabilities					
Current liabilities:					
Accounts payable	495,217	520,979	55,664	-	1,071,860
Accrued liabilities	2,422,816	21,836	3,811	462,788	2,911,350
Compensated absences	181,827	22,341	4,836	-	208,804
Due to Sewer Service Fund	160,270	-	-	-	160,270
Due to Appomattox Regional Library System	-	-	-	175,529	175,529
Bonds payable	866,799	504,601	-	-	1,371,400
Total current liabilities	3,926,929	1,069,756	64,211	638,317	5,699,213
Noncurrent liabilities:					
Bonds payable - net of current portion	7,749,226	25,451,933	-	-	33,201,159
OPEB liability	893,768	99,308	33,103	-	1,026,177
Compensated absences - net of current portion	40,488	-	-	-	40,488
Advance from Capital Projects Fund	-	-	-	4,591,648	4,591,648
Total noncurrent liabilities	8,683,480	25,551,239	33,103	4,591,648	38,859,470
Total liabilities	12,610,409	26,620,995	97,314	5,229,965	44,558,683
Deferred Inflow of Resources					
Deferred charges on refundings resulting in gain transactions	-	43,694	-	-	43,694
Net position					
Net investment in capital assets	(3,248,398)	8,518,957	18,738	5,865,355	11,156,352
Unrestricted	6,119,481	18,478,896	1,894,444	(4,844,374)	21,645,447
Total net position	\$ 2,870,083	\$ 26,997,853	\$ 1,913,182	\$ 1,020,981	\$ 32,801,799

City of Hopewell, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds				Total
	Hopewell Regional Wastewater Facilities Fund	Sewer Service Fund	Solid Waste Fund	Beacon Theater Fund	
OPERATING REVENUES					
Charges for services:					
Wastewater treatment revenues	\$ 13,713,797	\$ -	\$ -	\$ -	\$ 13,713,797
Sewer revenues	-	6,189,345	-	-	6,189,345
Refuse collection	-	-	2,176,931	-	2,176,931
Rental income	-	-	-	305,656	305,656
Total operating revenues	<u>13,713,797</u>	<u>6,189,345</u>	<u>2,176,931</u>	<u>305,656</u>	<u>22,385,729</u>
OPERATING EXPENSES					
Personnel services	2,722,578	309,398	68,238	271,838	3,371,850
Fringe benefits	1,077,654	139,381	37,818	2,638	1,257,471
Contractual services	1,946,569	2,104,143	1,551,408	151,158	5,753,278
Administrative services	98,553	443,918	617,391	670	1,158,532
Materials and supplies	309,513	34,837	12,809	55,858	412,917
Repairs and maintenance	-	582,239	51,799	93,550	707,588
Utilities	109,961	99,272	8,438	41,871	259,542
Fuel	1,536,120	-	2,484	-	1,538,604
Insurance	112,230	21,469	-	-	133,699
Chemicals	1,106,839	-	-	177	1,106,816
Miscellaneous	463,322	937,704	436	138,736	1,540,198
Depreciation	850,168	1,277,027	6,248	188,248	2,321,630
Total operating expenses	<u>10,331,247</u>	<u>5,929,468</u>	<u>2,357,057</u>	<u>944,343</u>	<u>19,562,125</u>
Operating income (loss)	<u>3,382,550</u>	<u>259,877</u>	<u>(180,136)</u>	<u>(638,687)</u>	<u>2,823,604</u>
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	2,441	173,682	225	-	176,348
Miscellaneous	-	-	-	92,342	92,342
Interest expense	(335,829)	(1,216,536)	-	-	(1,552,165)
Total nonoperating revenues (expenses), net	<u>(333,188)</u>	<u>(1,042,854)</u>	<u>225</u>	<u>92,342</u>	<u>(1,283,475)</u>
Income (loss) before contributions and transfers	<u>3,049,362</u>	<u>(782,977)</u>	<u>(179,911)</u>	<u>(546,345)</u>	<u>1,540,129</u>
Operating transfer in	-	-	-	407,326	407,326
Total contributions and transfers, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>407,326</u>	<u>407,326</u>
Change in net position	<u>3,049,362</u>	<u>(782,977)</u>	<u>(179,911)</u>	<u>(139,019)</u>	<u>1,947,455</u>
Total net position - beginning, as restated (Note 16)	<u>(179,279)</u>	<u>27,780,530</u>	<u>2,093,083</u>	<u>1,160,000</u>	<u>30,854,344</u>
Total net position - ending	<u>\$ 2,870,083</u>	<u>\$ 26,997,553</u>	<u>\$ 1,913,182</u>	<u>\$ 1,020,981</u>	<u>\$ 32,801,799</u>

City of Hopewell, Virginia
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Business-type Activities - Enterprise Funds				
	Hopewell Regional Wastewater Facilities Fund	Sewer Service Fund	Solid Waste Fund	Beacon Theater Fund	Total
Cash flows from operating activities					
Receipts from customers and users	\$ 12,069,487	\$ 6,652,748	\$ 2,022,637	\$ 116,446	\$ 20,861,318
Payments to suppliers	(6,435,391)	(3,604,420)	(2,260,249)	(285,264)	(12,845,324)
Payments to employees	(2,869,402)	(419,638)	(99,114)	(19,032)	(3,407,186)
Net cash provided by (used in) operating activities	2,764,694	2,368,690	(336,726)	(187,850)	4,608,808
Cash flow from noncapital financing activities					
Payments received from other funds	-	-	-	407,326	407,326
Net cash provided by noncapital financing activities	-	-	-	407,326	407,326
Cash flows from capital and related financing activities					
Purchase of capital assets	(396,312)	(409,635)	-	(2,241,187)	(3,047,144)
Principal payments on bonds and refunding	(676,796)	(499,601)	-	-	(1,176,399)
Interest payments	(335,629)	(1,216,538)	-	-	(1,552,165)
Interfund note	(180,269)	-	-	-	(180,269)
Proceeds from other governmental unit	-	-	-	175,529	175,529
Advance from Capital Projects Fund	-	-	-	1,763,712	1,763,712
Net cash used in capital and related financing activities	(1,669,006)	(2,125,772)	-	(301,956)	(3,996,736)
Cash flows from investing activities					
Interest and dividends received	3,761	193,146	225	92,342	289,474
Net cash provided by investing activities	3,761	193,146	225	92,342	289,474
Net Increase (decrease) in cash and investments	1,199,447	436,064	(336,501)	9,862	1,308,872
Cash and investments - beginning, including restricted	6,237,997	17,479,528	1,764,861	-	25,482,186
Cash and investments - ending, including restricted	\$ 7,437,444	\$ 17,915,592	\$ 1,428,160	\$ 9,862	\$ 26,791,058
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 3,382,550	\$ 259,877	\$ (180,136)	(636,887)	\$ 2,623,604
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	850,108	1,277,027	6,246	189,249	2,321,530
(Increase) decrease in accounts receivable	(1,298,933)	463,403	(154,294)	(189,210)	(1,179,034)
Increase in inventories	(81,186)	-	-	-	(81,186)
(Increase) decrease in prepaid items	(213,922)	43,852	-	(10,990)	(181,280)
Increase (decrease) in accounts payable and accrued liabilities	471,454	281,037	(8,542)	462,788	1,206,737
(Increase) decrease in unearned revenues	(345,377)	43,694	-	-	(301,683)
Total adjustments	(617,656)	2,108,613	(156,590)	450,637	1,795,204
Net cash provided by (used in) operating activities	\$ 2,764,694	\$ 2,368,690	\$ (336,726)	\$ (187,850)	\$ 4,608,808

City of Hopewell, Virginia
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2014

	Agency Funds
Assets	
Cash and cash equivalents	\$ 81,438
Total assets	<u>\$ 81,438</u>
Liabilities	
Amounts held for social services clients	\$ 81,438
Total liabilities	<u>\$ 81,438</u>

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

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).

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements

June 30, 2014

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 Theater 2012 Manager Inc. ("Beacon"), which it owns 100%, to hold, construct, rehabilitate, manage, and operate the Beacon Theater. Beacon Theater 2012 Manager Inc. formed an LLC named Beacon Theater 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 Theater 2012 LLC Board of Directors, and the two entities have a financial benefit/burden relationship, the Beacon Theater 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 Theater 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.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements June 30, 2014

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 School Board 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 \$551,274 to the Library for fiscal year 2014. 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 2014 to these entities. The City also participates with six other localities in the Crater Youth Care Commission and provided funding in the amount of \$230,537 during fiscal year 2014.

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, 2014 are as follows: Hopewell Industrial Development Authority and Hopewell Redevelopment and Housing Authority.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

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.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements June 30, 2014

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, Sewer Service, Solid Waste, and the Beacon Theater.

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.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

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 \$74,000 at June 30, 2014 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.

	<u>Real Property</u>	<u>Personal Property</u>
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.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements June 30, 2014

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.

<u>Assets</u>	<u>Years</u>
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 financial statements may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the financial statements may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 unavailable revenues, in both the modified accrual Balance Sheet – Governmental Funds and the full accrual Statement of Net Position. Unavailable revenues may result from revenue of a governmental fund that is not recognized solely because it is not yet considered to be available and property taxes received or recognized as a receivable prior to the period they are intended to finance are presented as unearned.

J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an 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. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The City's policy is to fund pension cost as it accrues.

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

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

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).
- **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.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements June 30, 2014

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, 2014 in accordance with the terms of the bond. These assets, in the amount of \$9,176,570, are to be used to fund future City public improvements.

R. Change in Accounting Principle

Effective July 1, 2013, the City adopted the provisions of Statement of Governmental Accounting Standards (GASB Statement) No. 65, *Items Previously Reported as Assets and Liabilities*. This implementation requires the City to reclassify some items in the financial statements previously presented as assets or liabilities to deferred inflows or deferred outflows. Additionally, a restatement of net position was required, as described in footnote 16.

Note 2—Deposits and Investments

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.

Investments

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

Credit Risk of Debt Securities

The City's rated debt investments as of June 30, 2014 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.

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 OF HOPEWELL, VIRGINIA

Notes to Financial Statements

June 30, 2014

City's Rated Debt Investments Values

Investment Type	Total	Fair Quality Ratings				
		AAA	AAAm	AA	AA+	AA-
LGIP	\$ 15,315,532	\$ -	\$ 15,315,532	\$ -	\$ -	\$ -
SNAP	1,312,976	-	1,312,976	-	-	-
Municipal/Public Bonds	1,456,312	60,400	-	102,877	1,142,770	150,265
Corporate Bonds	3,703,737	-	28,665	378,754	2,644,379	651,939
Total	\$ 21,788,557	\$ 60,400	\$ 16,657,173	\$ 481,631	\$ 3,787,149	\$ 802,204

Investment Type	Investment Maturities (In Years)		
	Fair Value	Less than 1	
		Year	1-5 Years
Municipal/Public Bonds	\$ 1,456,313	\$ 1,241,832	\$ 214,481
Corporate Debt	3,703,738	955,562	2,748,176
Total	\$ 5,160,051	\$ 2,197,394	\$ 2,962,657

Interest Rate Risk

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

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CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

Note 3—Due from Other Governments

At June 30, 2014, the City had receivables from other governments as follows:

	Primary Government	Component Unit	
		School Board	CSA Board
Commonwealth of Virginia:			
Local sales tax			
Communications tax	\$ 341,335	\$ -	\$ -
E-911 wireless funds	142,959	-	-
VPA funds	9,217	-	-
Victim Witness	91,549	-	-
State sales tax	46,709	-	-
Constitutional officer reimbursements	-	642,288	-
Comprehensive service	103,257	-	-
	-	-	692,167
Federal Government:			
School fund grants	-	970,460	-
School food	-	76,133	-
VPA Funds	165,045	-	-
Public Service Grant	46,176	-	-
Other grants	10,079	-	-
Total due from other governments	\$ 956,326	\$ 1,688,881	\$ 692,167

Note 4—Interfund Obligations

At June 30, 2014, CDBG Fund owed the General Fund \$62,978.

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, 2014, the Beacon Theater Fund owed the Capital Projects Fund \$4,591,648 related to a promissory note entered into by the City and the blended component unit for the renovation of the Beacon Theater. See Note 1(B) for further discussion.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

Note 5—Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2014</u>
Government Activities:				
Capital assets not subject to depreciation:				
Land	\$ 6,622,991	\$ -	\$ -	\$ 6,622,991
Work in progress	-	-	-	-
Total capital assets not subject to depreciation	<u>6,622,991</u>	<u>-</u>	<u>-</u>	<u>6,622,991</u>
Capital assets subject to depreciation:				
Buildings, improvements, and Infrastructure	43,517,648	1,992,729	1,197,437	44,312,940
Machinery and equipment	9,055,794	1,520,030	366,001	10,209,823
Jointly-owned assets	30,696,040	-	999,423	29,696,617
Total capital assets being depreciated	<u>83,269,482</u>	<u>3,512,759</u>	<u>2,562,861</u>	<u>84,219,380</u>
Less accumulated depreciation for:				
Buildings, improvements, and Infrastructure	(14,421,492)	(1,309,388)	-	(15,730,880)
Machinery and equipment	(6,369,200)	(571,226)	366,001	(6,574,425)
Jointly-owned assets	(6,833,529)	(368,002)	-	(7,201,531)
Total accumulated depreciation	<u>(27,624,221)</u>	<u>(2,248,616)</u>	<u>366,001</u>	<u>(29,506,836)</u>
Total capital assets being depreciated, net	<u>55,645,261</u>	<u>1,264,143</u>	<u>2,196,860</u>	<u>54,712,544</u>
Government capital assets, net	<u>\$ 62,268,252</u>	<u>\$ 1,264,143</u>	<u>\$ 2,196,860</u>	<u>\$ 61,335,535</u>

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CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

Component Unit - School Board	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Government Activities:				
Capital assets not subject to depreciation:				
Land	\$ 398,728	\$ 75,901	\$ -	\$ 474,629
Total capital assets not subject to depreciation	<u>398,728</u>	<u>75,901</u>	<u>-</u>	<u>474,629</u>
Capital assets subject to depreciation:				
Buildings and improvements	62,612,437	227,154	-	62,839,591
Machinery and equipment	6,013,533	811,641	115,202	6,709,972
Jointly-owned assets	(30,696,040)	-	(999,423)	(29,696,617)
Total cap assets being depreciated	<u>37,929,930</u>	<u>1,038,795</u>	<u>(884,221)</u>	<u>39,852,946</u>
Less accumulated depreciation for:				
Buildings and improvements	(14,180,721)	(783,209)	-	(14,963,930)
Machinery and equipment	(3,443,801)	(325,646)	111,684	(3,657,763)
Jointly-owned assets	6,833,529	368,002	-	7,201,531
Total accumulated depreciation	<u>(10,790,993)</u>	<u>(740,853)</u>	<u>111,684</u>	<u>(11,420,162)</u>
Total capital assets being depreciated, net	<u>27,138,937</u>	<u>297,942</u>	<u>(772,537)</u>	<u>28,432,784</u>
Government capital assets, net	<u>\$ 27,537,665</u>	<u>\$ 373,843</u>	<u>\$ (772,537)</u>	<u>\$ 28,907,413</u>

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

Governmental Activities:	
General government administration	\$331,857
Judicial administration	216,094
Public safety	405,140
Public works	456,020
Health and welfare	104,331
Education	368,002
Parks, recreation, and cultural	367,172
Total governmental activities	<u>\$ 2,248,616</u>
Component Unit: School Board	<u>\$ 740,853</u>

Legislation enacted during the year ended June 30, 2002, Section 15 of *The Code of Virginia 1950*, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments on behalf of School Boards was reported in the School Board's discrete column along with the related capital assets. Under the law, 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, 2014, is that School-financed assets in the amount of \$22,495,086 are reported in the Primary Government for financial reporting purposes.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

A summary of changes in proprietary fund capital assets for the year ended June 30, 2014 follows:

Sewer Service Fund	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Capital assets not subject to depreciation:				
Land	\$ 97,920	\$ -	\$ -	\$ 97,920
Work in progress	2,728,920	15,538	-	2,744,458
Total capital assets not subject to depreciation	<u>2,826,840</u>	<u>15,538</u>	<u>-</u>	<u>2,842,378</u>
Capital assets subject to depreciation:				
Utility plant in service	501,878	-	-	501,878
Machinery and equipment	899,308	-	-	899,308
Sewer main improvements	32,932,973	394,097	-	33,327,070
Total capital assets being depreciated	<u>34,334,159</u>	<u>394,097</u>	<u>-</u>	<u>34,728,256</u>
Less accumulated depreciation for:				
Utility plant in service	(489,002)	(2,575)	-	(491,577)
Machinery and equipment	(774,472)	(17,970)	-	(792,442)
Sewer main improvements	(3,928,691)	(1,256,482)	-	(5,185,173)
Total accumulated depreciation	<u>(5,192,165)</u>	<u>(1,277,027)</u>	<u>-</u>	<u>(6,469,192)</u>
Total capital assets being depreciated, net	<u>29,141,994</u>	<u>(882,930)</u>	<u>-</u>	<u>28,259,064</u>
Sewer Service Fund, net	<u>\$ 31,968,834</u>	<u>\$ (867,392)</u>	<u>\$ -</u>	<u>\$ 31,101,442</u>
Solid Waste Fund	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Capital assets subject to depreciation:				
Machinery and equipment	\$ 31,230	\$ -	\$ -	\$ 31,230
Less accumulated depreciation for:				
Machinery and equipment	(6,246)	(6,246)	-	(12,492)
Solid Waste Fund, net	<u>\$ 24,984</u>	<u>\$ (6,246)</u>	<u>\$ -</u>	<u>\$ 18,738</u>

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
HRWTF				
Capital assets not subject to depreciation:				
Land	\$ 216,026	\$ -	\$ -	\$ 216,026
Construction in progress	904,178	-	-	904,178
Total capital assets not subject to depreciation	<u>1,120,204</u>	<u>-</u>	<u>-</u>	<u>1,120,204</u>
Capital assets subject to depreciation:				
Utility plant in service	10,220,916	280,598	16,900	10,484,614
Machinery and equipment	53,295,363	125,371	-	53,420,734
Total capital assets being depreciated	<u>63,516,279</u>	<u>405,969</u>	<u>16,900</u>	<u>63,905,348</u>
Less accumulated depreciation for:				
Utility plant in service	(8,613,386)	(202,316)	(7,243)	(8,808,459)
Machinery and equipment	(50,759,515)	(647,792)	-	(51,407,307)
Total accumulated depreciation	<u>(59,372,901)</u>	<u>(850,108)</u>	<u>(7,243)</u>	<u>(60,215,766)</u>
Total capital assets being depreciated, net	<u>4,143,378</u>	<u>(444,139)</u>	<u>9,657</u>	<u>3,689,582</u>
HRWTF capital assets, net	<u>\$ 5,263,582</u>	<u>\$ (444,139)</u>	<u>\$ 9,657</u>	<u>\$ 4,809,786</u>
	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Beacon Theater Fund				
Capital assets not subject to depreciation:				
Land	\$ 128,100	\$ 156,373	\$ -	\$ 284,473
Construction in progress	2,827,936	-	(2,827,936)	-
Total capital assets not subject to depreciation	<u>2,956,036</u>	<u>156,373</u>	<u>(2,827,936)</u>	<u>284,473</u>
Capital assets subject to depreciation:				
Buildings	1,031,900	4,629,951	-	5,661,851
Machinery and equipment	-	282,809	-	282,809
Total cap assets being depreciated	<u>1,031,900</u>	<u>4,629,951</u>	<u>-</u>	<u>5,944,660</u>
Less accumulated depreciation for:				
Buildings	-	(150,216)	-	(150,216)
Machinery and equipment	-	(38,033)	-	(38,033)
Total accumulated depreciation	<u>-</u>	<u>(188,249)</u>	<u>-</u>	<u>(188,249)</u>
Total capital assets being depreciated, net	<u>1,031,900</u>	<u>4,441,702</u>	<u>-</u>	<u>5,756,411</u>
Beacon Theater capital assets, net	<u>\$ 3,987,936</u>	<u>\$ 4,598,075</u>	<u>\$ (2,827,936)</u>	<u>\$ 6,040,884</u>

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements

June 30, 2014

Note 6—Interfund Transfers

Interfund transfer for the year ended June 30, 2014 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Tranfers Out</u>
Primary Government:		
General	\$ -	\$ 7,070,552
Capital Projects	4,824,826	-
Recreation	1,287,700	-
Virginia Public Assistance	550,700	-
Beacon	407,326	-
	<u>\$ 7,070,552</u>	<u>\$ 7,070,552</u>

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.

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CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

Note 7—Long-Term Obligations

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

<u>Primary Government:</u>	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
Governmental Obligations:	<u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2014</u>	<u>One Year</u>
Incurring by City:					
General obligation bonds	\$ 26,309,000	\$ 10,860,000	\$ 3,736,500	\$ 33,432,500	\$ 802,500
Issuance premium	248,510	-	18,428	230,082	-
Claims, judgments and compensated absences payable	1,057,414	1,157,645	1,224,700	990,359	843,528
Landfill closure liability	575,807	8,061	-	583,868	58,387
OPEB liability	4,399,011	895,431	395,264	4,899,178	-
Total incurred by City	32,589,742	12,921,137	5,374,892	40,135,987	1,704,415
Incurring for School Board:					
State Literary Loans payable	3,496,000	-	474,200	3,021,800	474,200
General obligation bonds payable	25,286,511	-	1,245,724	24,040,787	993,111
Total incurred for School Board	28,782,511	-	1,719,924	27,062,587	1,467,311
Total Government Obligations	\$ 61,372,253	\$ 12,921,137	\$ 7,094,816	\$ 67,198,574	\$ 3,171,726
Enterprise Obligations:					
Revenue bonds payable	\$ 34,830,000	\$ -	\$ 1,150,000	\$ 33,680,000	\$ 1,145,000
Issuance premium	718,958	-	26,399	692,559	26,400
Claims, judgments, and compensated absences payable	250,743	322,851	324,304	249,290	208,804
OPEB liability	924,536	184,433	82,792	1,026,177	-
Total Enterprise Obligations	\$ 36,724,237	\$ 507,284	\$ 1,583,495	\$ 35,648,026	\$ 1,380,204

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

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
2015	\$ 802,500	\$ 1,344,892
2016	840,000	1,334,318
2017	647,500	1,299,821
2018	810,000	1,272,359
2019	960,000	1,234,221
2020-2024	7,162,500	5,389,491
2025-2029	9,650,000	3,723,869
2030-2034	8,827,500	1,706,589
2035-2039	3,732,500	183825.00
Total	\$ 33,432,500	\$ 17,489,385

Year Ending June 30	School Obligations			
	State Literary Fund Loans		General Obligation Bonds Payable	
	Principal	Interest	Principal	Interest
2015	\$ 474,200	\$ 60,436	\$ 993,111	\$ 1,160,295
2016	474,200	50,952	1,373,488	1,138,090
2017	474,200	41,468	1,622,610	1,114,742
2018	474,200	31,984	1,513,832	1,093,023
2019	375,000	22,500	1,523,011	1,073,198
2020-2024	375,000	15,000	8,347,243	4,984,239
2025-2029	375,000	7,500	5,448,838	3,103,770
2030-2034	-	-	2,532,500	530,740
2035-2036	-	-	686,154	41,121
Total	\$ 3,021,800	\$ 229,840	\$ 24,040,787	\$ 14,239,218

CITY OF HOPEWELL, VIRGINIA

**Notes to Financial Statements
June 30, 2014**

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

Year Ending June 30	Enterprise Obligations	
	Revenue	
	Bonds Payable	
	Principal	Interest
2015	\$ 1,145,000	\$ 1,466,365
2016	1,185,000	1,434,489
2017	1,215,000	1,399,227
2018	1,255,000	1,361,023
2019	1,290,000	1,319,913
2020-2024	6,520,000	5,876,685
2025-2029	4,865,000	4,587,783
2030-2034	4,620,000	3,508,095
2035-2039	5,925,000	2,192,968
2040-2043	5,660,000	565,402
Total	\$ 33,680,000	\$ 23,711,950

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CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

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%.	\$ 11,000,000
\$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	4,567,500
\$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%.	1,435,000
\$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
Total General Obligation Bonds	<u>33,432,500</u>
Issuance premium	230,082
Landfill closure liability (payable from the General Fund)	583,868
Compensated absences (payable from the General Fund)	990,359
OPEB liability (payable from the General Fund)	4,899,178
Total Incurred by City	<u>\$ 40,135,987</u>

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CITY OF HOPEWELL, VIRGINIA

**Notes to Financial Statements
June 30, 2014**

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	\$ 6,015,000
\$2,790,000 Sewer System 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%.	2,385,000
\$4,160,000 revenue bond issued December 2, 2010, payable in various annual installments through July 15, 2025, interest payable semi-annually at 2.88% - 3.38%.	4,080,000
\$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%.	18,120,000
\$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%.	<u>3,080,000</u>
Total Revenue Bond Obligations	<u>33,680,000</u>
Issuance premium	692,559
Compensated absences (Payable from the Enterprise Funds)	249,290
OPEB liability (Payable from the Enterprise Funds)	<u>1,026,177</u>
Total Enterprise obligations	<u>\$ 35,648,026</u>
Advance from Capital Projects Fund	<u>\$ 3,987,936</u>

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CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

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%.	41,800
\$939,000 State Literary Fund Loan issued September 26, 1997, due in annual installments of \$46,950 through 2017; interest payable annually at 2%.	187,800
\$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%.	47,800
\$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%.	119,400
\$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%.	<u>2,625,000</u>
Total State Literary Fund Loans	<u>3,021,800</u>

Virginia Public Authority Subsidy and Other Bonds:

\$4,862,705 Virginia Public Authority Subsidy Bonds issued 2001, due in annual installments of varying amounts through 2021; interest payable annually at varying rates	2,218,669
\$858,896 Virginia Public Authority Subsidy Bonds issued in 2005, due in annual installments of varying amounts through 2025; interest payable annually at varying rates	564,297
\$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%.	2,031,987
\$7,635,000 Virginia Public Authority Subsidy Bonds issued 2010, due in annual installments of varying amounts through June 1, 2027; interest payable semi-annually at	7,125,000
\$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 5.875%.	4,567,500
\$5,000,000 Virginia Public Authority Subsidy Bonds issued 2011, due in annual installments of varying amounts through June 1, 2027; interest payable semi-annually at	4,833,334
\$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
Total Virginia Public Authority Subsidy and Other Bonds	<u>24,040,787</u>
Total incurred for School Board	<u><u>\$ 27,062,587</u></u>

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

School Board Component Unit

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2014:

	Balance at <u>July 1, 2013</u>	Increases	Decreases	Balance at <u>June 30, 2014</u>	Due Within <u>One Year</u>
Claims, judgments and compensated absences payable	\$ 697,900	\$ 56,456	\$ 85,793	\$ 668,563	\$ 222,854
OPEB liability (payable from the School Fund)	959,034	344,304	199,200	1,104,138	-
Note Payable to the City	1,811,668	-	100,545	1,711,123	105,418
	<u>\$ 3,468,602</u>	<u>\$ 400,760</u>	<u>\$ 385,538</u>	<u>\$ 3,483,824</u>	<u>\$ 328,272</u>

Note 8—Reporting Entity Transactions

During fiscal year 2011, the City agreed to loan the Hopewell Regional Wastewater Treatment Facility (the "Facility") \$801,349 over a five-year period for the purchase of oxygen compressors for the Facility. The Sewer Services Fund was the source of the funding for the loan to the Facility. Annual principal payments of \$160,270 plus interest are due annually on June 15 through 2015. The interest rate on this loan is 5%. At June 30, 2014, \$160,270 of the loan was still outstanding.

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, 2014, \$1,711,123 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 \$583,868. 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 demonstrated 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.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements

June 30, 2014

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 \$9,731,190 at June 30, 2014.

School Board Unearned Revenue: unearned state and federal grants totaled \$32,020 at June 30, 2014

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 Property Tax Revenue: uncollected tax billings not available for funding of current expenditures totaled \$1,543,204 at June 30, 2014.

General Fund Unavailable Other Tax Revenue: uncollected other tax billings not available for funding of current expenditures totaled \$20,830 at June 30, 2014.

Note 11—Commitments and Contingencies

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 were tested for compliance with applicable grant requirements.

While no matters of noncompliance were 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. The City and the Facility are currently negotiating the potential penalties with the EPA as of the audit report date. Regardless of the outcome, the City is not solely responsible for any financial exposure, as the five other Facility Commission members would be liable for their portion of any future settlement. During the past year, the Facility provided the EPA with requested information to address some of the EPA's concerns regarding alleged violations. As of the report date, the EPA has not responded to any of the submittals from the Facility. The last meeting held with the EPA was in January 2014.

Note 12—Litigation

At June 30, 2014, 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.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

Note 13—Defined Benefit Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (“VRS”)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (“System”)

The City and School Board contribute to the VRS. School Board professional employees participate in a VRS statewide teacher cost-sharing pool, and the City employees and School Board nonprofessional employees participate as a separate group in the agent multiple-employer retirement system.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave, and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2.

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or at age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least 10 years of service credit or age 50 with at least 5 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least 5 years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least 5 years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least five years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty. They may retire with a reduced benefit as early as age 50 with at least 5 years of service credit. All other provisions of the member’s plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member’s average final compensation multiplied by the member’s total service credit. Under Plan 1, average final compensation for vested members is the average of the member’s 36 consecutive months of highest compensation. Active, non-vested members in Plan 1 will have their average final compensation based on the average of the member’s 60 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member’s 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members who are vested is 1.70% and 1.65% for non-vested members. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The City has elected 1.85%. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (“PLOP”) or the Advance Pension Option. A retirement reduction factor is applied to the

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

Basic Benefit amount for members electing the Survivor Option, PLOP, or Advance Pension Option of those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment ("COLA") effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5%; under Plan 2, the COLA cannot exceed 6%. During years of no inflation or deflation, the COLA is 0%. Active non-vested members in Plan 1 and Plan 2 will only be able to receive a maximum COLA of 3%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the VRS. A copy of that report may be downloaded from its website at <http://www.varetire.org/pdf/publications/2012-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. The City and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City and School Board's non-professional employee contribution rates for the fiscal year ended 2014 were 10.35% and 9.03% of annual covered payroll, respectively.

The School Board contributed \$2,691,109, \$2,572,277, and \$1,365,752 to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively, and these contributions represented 11.66%, 11.66%, and 6.33%, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the City's annual pension cost of \$1,975,439 was equal to the City's required and actual contributions.

For fiscal year 2014, the City School Board's annual pension cost for the Board's non-professional employees was \$159,628, which was equal to the Board's required and actual contributions.

Three-Year Trend Information

City and School Board Non-Professional Employees

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
City			
June 30, 2014	\$1,975,439	100%	\$ -
June 30, 2013	1,628,910	100%	-
June 30, 2012	1,514,687	100%	-
Component Unit: School Board			
June 30, 2014	\$ 159,628	100%	\$ -
June 30, 2013	151,758	100%	-
June 30, 2012	142,548	100%	-

(1) Employer portion only

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements June 30, 2014

The required contribution was determined as part of the June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2013 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for prior plan members and 2.25% for new plan members. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City's and School Board's assets is equal to the modified market value assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014 was 19 years.

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the City plan was 73.22% funded. The actuarial accrued liability for benefits was \$98,491,794, and the actuarial value of assets was \$72,117,226 resulting in an unfunded actuarial accrued liability ("UAAL") of \$26,374,568. The covered payroll (annual payroll of active employees covered by the plan) was \$15,583,116, and the ratio of the UAAL to the covered payroll was 169.25%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board Non-Professional plan was 73.60% funded. The actuarial accrued liability for benefits was \$7,754,961, and the actuarial value of assets was \$5,707,383, resulting in an unfunded actuarial accrued liability of \$2,047,578. The covered payroll (annual payroll of active employees covered by the plan) was \$1,684,920, and the ratio of the UAAL to the covered payroll was 121.52%.

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 mortality and investment rate 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability, ("AAL") for benefits.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

Note 14—Surety Bonds

The following Surety bonds are maintained by the City:

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 single employer defined benefit plan that offers eligible retirees post-retirement medical coverage 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.

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

<u>Group</u>	<u>City Contribution</u>		<u>Notes</u>
	<u>Retiree Only</u>	<u>Retiree and Spouse</u>	
A	\$534	\$948	Frozen contribution rate; will not change in future years
B	\$553	N/A	2014 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.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

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

D Varies N/A

Percentage of City contribution for a single active employee based on years of services
See table below:

<u>Years of Service</u>	<u>Percentage of Premium</u>
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 70 retirees without spouse coverage, 32 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 thirty years.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

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	\$ 1,131,600	\$ 346,200
Interest on Net OPEB obligation	186,324	33,566
Adjustment to annual required contribution	(196,849)	(35,462)
Annual OPEB cost (expense)	<u>1,121,075</u>	<u>344,304</u>
Estimated Contributions made	(519,269)	(199,200)
Increase in net OPEB obligation	601,806	145,104
Net OPEB obligation - beginning of year	5,323,549	959,034
Net OPEB obligation - end of year	<u>\$ 5,925,355</u>	<u>\$ 1,104,138</u>

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:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
City:			
June 30, 2014	\$ 1,121,075	42.00%	\$ 5,925,355
June 30, 2013	1,079,866	39.36%	5,323,547
June 30, 2012	1,168,828	44.66%	4,668,681
School Board:			
June 30, 2014	\$ 344,304	57.86%	\$ 1,104,138
June 30, 2013	330,178	42.61%	959,034
June 30, 2012	450,627	38.67%	769,556

Funded Status and Funding Progress

As of June 30, 2013, the City's actuarial accrued liability for benefits was \$15,563,800, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$15,493,900, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 100.45%.

As of June 30, 2013, the School Board's actuarial accrued liability for benefits was \$3,216,300, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$23,136,200, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.90%.

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

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements June 30, 2014

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%.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
June 30, 2014

- *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 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, 2014 of 29 years

Note 16—Accounting Changes and Restatements

Effective July 1, 2012, the City adopted the provisions of GASB Statement 65, *Items Previously Reported as Assets and Liabilities* (Statement No. 65). The provisions of Statement No. 65 relevant to the City related to changes in the accounting and reporting of bonded debt activities. Specifically, bond issuance costs incurred are recorded as current period expenses as opposed to being deferred and amortized over the maturity period of the debt. Statement 65 also requires that deferred credits resulting from the refunding of debt be presented as a deferred inflows of resources and not as assets or liabilities. As the provisions of Statement No. 65 were effective as of the beginning of the fiscal year, net position as of that date has been adjusted as accordingly:

	Governmental Activities		
Net position, June 30, 2013 balance as previously reported	\$ 29,156,472		
GASB 65 adjustment - debt issuance costs	<u>(475,691)</u>		
Balance, as restated, June 30, 2013	<u>\$ 28,680,781</u>		
	Business-type Activities	HRWTF	Sewer
Net position, June 30, 2013 balance as previously reported	\$ 31,540,419	\$ (106,711)	\$ 28,394,037
GASB 65 adjustment - debt issuance costs	<u>(686,075)</u>	<u>(72,568)</u>	<u>(613,507)</u>
Balance, as restated, June 30, 2013	<u>\$ 30,854,344</u>	<u>\$ (179,279)</u>	<u>\$ 27,780,530</u>

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements

June 30, 2014

Note 17—Subsequent Events

In April of 2015, the City borrowed \$2,500,000 in the form of a general obligation public improvement bond to finance the acquisition and installation of a new public safety communications system. Payments and interest are due semi-annually beginning on July 15, 2015. The interest rate on the debt is 2.275%.

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
General property taxes	\$ 26,794,700	\$ 26,794,700	\$ 25,308,595	\$ (1,486,105)
Other local taxes	6,319,788	6,319,788	6,159,304	(160,484)
Permits, privilege fees, and regulatory licenses	11,500	11,500	105,139	93,639
Fines and forfeitures	1,701,800	1,701,800	1,561,049	(140,751)
Revenues from the use of money and property	49,000	49,000	49,838	838
Charges for services	522,200	544,200	626,224	82,024
Miscellaneous	3,455,328	4,028,617	1,391,986	(2,636,631)
Recovered costs	884,500	884,500	884,500	-
Intergovernmental revenues:				
Commonwealth	6,321,500	6,333,620	8,102,766	1,769,146
Federal	313,600	337,481	358,156	20,675
Total revenues	<u>46,373,916</u>	<u>47,005,206</u>	<u>44,547,557</u>	<u>(2,457,649)</u>
EXPENDITURES				
Current:				
General government administration	2,993,120	2,993,119	3,887,357	(894,238)
Judicial administration	1,950,321	1,969,903	2,347,692	(377,789)
Public safety	11,256,048	11,416,340	13,363,832	(1,947,492)
Public works	3,784,835	3,729,955	3,924,013	(194,058)
Health and welfare	550,500	550,500	1,638,848	(1,088,348)
Education	9,512,551	9,512,551	9,635,915	(123,364)
Parks, recreation, and cultural	564,300	605,400	605,374	26
Community development	580,316	587,689	611,387	(23,698)
Nondepartmental	5,409,400	5,409,400	1,056,007	4,353,393
Debt service:				
Principal retirement	1,550,468	1,550,468	1,550,468	-
Interest and other fiscal charges	1,280,781	1,280,781	1,280,781	-
Total expenditures	<u>39,432,640</u>	<u>39,606,106</u>	<u>39,901,674</u>	<u>(295,568)</u>
Excess (deficiency) of revenues over (under) expenditures	6,941,276	7,399,100	4,645,883	(2,753,217)
OTHER FINANCING USES				
Operating transfers out	(5,636,800)	(6,255,900)	(7,070,552)	(814,652)
Total other financing uses	<u>(5,636,800)</u>	<u>(6,255,900)</u>	<u>(7,070,552)</u>	<u>(814,652)</u>
Net change in fund balances	1,304,476	1,143,200	(2,424,669)	(3,567,869)
Fund balances - beginning	13,802,828	13,802,828	13,802,828	-
Fund balances - ending	<u>\$ 15,107,304</u>	<u>\$ 14,946,028</u>	<u>\$ 11,378,159</u>	<u>\$ (3,567,869)</u>

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, 2014

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Commonwealth	\$ 1,163,100	\$ 1,163,100	\$ 1,117,363	\$ (45,737)
Federal	2,061,200	2,061,200	2,016,752	(44,448)
Revenues from the use of money and property	-	-	8	8
Total revenues	<u>3,224,300</u>	<u>3,224,300</u>	<u>3,134,123</u>	<u>(90,177)</u>
EXPENDITURES				
Current -				
Health and welfare	3,775,000	3,775,000	3,620,403	154,597
Total expenditures	<u>3,775,000</u>	<u>3,775,000</u>	<u>3,620,403</u>	<u>154,597</u>
Excess (deficiency) of revenues over (under) expenditures	(550,700)	(550,700)	(486,280)	64,420
OTHER FINANCING SOURCES				
Operating transfers in	550,700	550,700	550,700	-
Total other financing sources	<u>550,700</u>	<u>550,700</u>	<u>550,700</u>	<u>-</u>
Net change in fund balances	-	-	64,420	64,420
Fund balances - beginning	-	-	215,871	215,871
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,291</u>	<u>\$ 280,291</u>

**City of Hopewell, Virginia
Schedule of Pension Funding Progress
For the Year Ended June 30, 2014**

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Primary Government:						
City Retirement Plan:						
6/30/2013	\$ 72,117,226	\$98,491,794	\$ 26,374,568	73.22%	\$ 15,583,116	169.25%
6/30/2012	71,072,887	96,525,635	25,452,748	73.63%	14,492,438	175.63%
6/30/2011	72,458,030	93,069,849	20,611,819	77.85%	14,484,485	142.30%
Discretely Presented Component Unit:						
School Board Non-Professionals Retirement Plan:						
6/30/2013	\$ 5,707,383	\$ 7,754,961	\$ 2,047,578	73.60%	\$ 1,684,920	121.52%
6/30/2012	5,687,729	7,698,754	2,011,025	73.88%	1,609,656	124.94%
6/30/2011	5,858,191	7,650,726	1,792,535	76.57%	1,654,357	108.35%

City of Hopewell, Virginia
Schedule of Funding Progress for Retiree Health Insurance Plan
For the Year Ended June 30, 2014

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Primary Government:						
City Health Plan:						
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						
6/30/2013	\$ -	\$ 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%

City of Hopewell, Virginia
Notes to Required Supplementary Information
Year Ended June 30, 2014

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.

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, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Other local taxes	\$ 1,810,000	\$ 2,550,000	\$ 2,435,875	\$ (114,125)
Intergovernmental revenues:				
Commonwealth	-	-	106,041	106,041
Revenues from the use of money and property	125,000	10,000	28,603	18,603
Miscellaneous	3,134,000	4,134,371	615,972	(3,518,399)
Total revenues	<u>5,069,000</u>	<u>6,694,371</u>	<u>3,186,491</u>	<u>(3,507,880)</u>
EXPENDITURES				
Education	-	-	1,151,759	(1,151,759)
Capital projects	2,214,900	6,485,470	4,190,524	2,294,946
Debt service:				
Principal retirement	2,082,400	2,082,400	3,905,956	(1,823,556)
Interest and other fiscal charges	2,140,000	2,140,000	1,771,384	368,616
Total expenditures	<u>6,437,300</u>	<u>10,707,870</u>	<u>11,019,623</u>	<u>(311,753)</u>
Deficiency of revenues under expenditures	(1,368,300)	(4,013,499)	(7,833,132)	(3,819,632)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	3,753,500	4,013,500	4,824,826	811,326
Operating transfers out	-	(800,000)	-	800,000
Proceeds from issuance of bonds	-	-	10,860,253	10,860,253
Total other financing sources, net	<u>3,753,500</u>	<u>3,213,500</u>	<u>15,685,079</u>	<u>12,471,579</u>
Net change in fund balances	2,385,200	(799,999)	7,851,947	8,651,946
Fund balances - beginning	160,597	1	13,092,081	13,092,080
Fund balances - ending	<u>\$ 2,545,797</u>	<u>\$ (799,998)</u>	<u>\$ 20,944,028</u>	<u>\$ 21,744,026</u>

City of Hopewell, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014

	Recreation Fund	Community Development Block Grant Fund	Anti-Litter Fund	Total
Assets				
Cash and investments	\$ 280,015	\$ -	\$ 17,745	\$ 297,760
Receivables, net of allowance for uncollectibles	9	-	-	9
Total assets	<u>280,024</u>	<u>-</u>	<u>17,745</u>	<u>297,769</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	21,660	3,161	752	25,573
Accrued liabilities	10,572	-	-	10,572
Due to other funds	-	62,978	-	62,978
Total liabilities	<u>32,232</u>	<u>66,139</u>	<u>752</u>	<u>99,123</u>
Fund balances:				
Assigned	247,792	(66,139)	16,993	198,646
Total fund balances	<u>247,792</u>	<u>(66,139)</u>	<u>16,993</u>	<u>198,646</u>
Total liabilities and fund balances	<u>\$ 280,024</u>	<u>\$ -</u>	<u>\$ 17,745</u>	<u>\$ 297,769</u>

City of Hopewell, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014

	Recreation Fund	Community Development Block Grant Fund	Anti-Litter Fund	Total
REVENUES				
Revenues from the use of money and property	\$ 142,205	\$ -	\$ 3	\$ 142,208
Charges for services	57,982	-	-	57,982
Miscellaneous	75,155	-	-	75,155
Local government	15,330	-	-	15,330
Intergovernmental revenues:				
Commonwealth	-	-	5,699	5,699
Federal	5,969	210,064	-	216,033
Total revenues	<u>296,641</u>	<u>210,064</u>	<u>5,702</u>	<u>512,407</u>
EXPENDITURES				
Current:				
Public works	-	-	3,263	3,263
Parks, recreation, and cultural	1,559,681	-	-	1,559,681
Community development	-	278,153	-	278,153
Total expenditures	<u>1,559,681</u>	<u>278,153</u>	<u>3,263</u>	<u>1,841,097</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,263,040)</u>	<u>(68,089)</u>	<u>2,439</u>	<u>(1,328,690)</u>
OTHER FINANCING SOURCES				
Operating transfers in	1,287,700	-	-	1,287,700
Total other financing sources	<u>1,287,700</u>	<u>-</u>	<u>-</u>	<u>1,287,700</u>
Net change in fund balances	24,660	(68,089)	2,439	(40,990)
Fund balance - beginning	223,132	1,950	14,554	239,636
Fund balance - ending	<u>\$ 247,792</u>	<u>\$ (66,139)</u>	<u>\$ 16,993</u>	<u>\$ 198,646</u>

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
Recreation Fund
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenues from the use of money and property	\$ 207,400	\$ 142,205	\$ (65,195)
Charges for services	100,000	57,982	(42,018)
Miscellaneous	139,671	75,155	(64,516)
Intergovernmental revenues:			
Local government	15,000	15,330	330
Federal	8,000	5,969	(2,031)
Total revenues	<u>470,071</u>	<u>296,641</u>	<u>(173,430)</u>
EXPENDITURES			
Current -			
Parks, recreation, and cultural	1,761,271	1,559,681	201,590
Total expenditures	<u>1,761,271</u>	<u>1,559,681</u>	<u>201,590</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,291,200)</u>	<u>(1,263,040)</u>	<u>28,160</u>
OTHER FINANCING SOURCES			
Operating transfers in	1,291,200	1,287,700	(3,500)
Total other financing sources	<u>1,291,200</u>	<u>1,287,700</u>	<u>(3,500)</u>
Net change in fund balances	-	24,660	24,660
Fund balances - beginning	37,738	223,132	185,394
Fund balances - ending	<u>\$ 37,738</u>	<u>\$ 247,792</u>	<u>\$ 210,054</u>

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, 2014

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental revenues-			
Federal	\$ 197,676	\$ 210,064	\$ 12,388
Total revenues	<u>197,676</u>	<u>210,064</u>	<u>12,388</u>
EXPENDITURES			
Current -			
Community development	84,206	278,153	(193,947)
Total expenditures	<u>84,206</u>	<u>278,153</u>	<u>(193,947)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>113,470</u>	<u>(68,089)</u>	<u>(181,559)</u>
Net change in fund balances	113,470	(68,089)	(181,559)
Fund balances - beginning	-	1,950	1,950
Fund balances - ending	<u>\$ 113,470</u>	<u>\$ (66,139)</u>	<u>\$ (179,609)</u>

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, 2014

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenues from the use of money and property	\$ -	\$ 3	\$ 3
Intergovernmental revenues -			
Commonwealth	5,000	5,699	699
Total revenues	<u>5,000</u>	<u>5,702</u>	<u>702</u>
EXPENDITURES			
Current -			
Public works	5,000	3,263	1,737
Total expenditures	<u>5,000</u>	<u>3,263</u>	<u>1,737</u>
Excess of revenues over expenditures	-	2,439	2,439
Net change in fund balances	-	2,439	2,439
Fund balances - beginning	12,622	14,554	27,176
Fund balances - ending	<u>\$ 12,622</u>	<u>\$ 16,993</u>	<u>\$ 29,615</u>

City of Hopewell, Virginia
Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets -				
Cash and cash equivalents	<u>\$ 71,950</u>	<u>\$ 41,080</u>	<u>\$ 31,592</u>	<u>\$ 81,438</u>
Liabilities -				
Amounts held for social services clients	<u>\$ 71,950</u>	<u>\$ 41,080</u>	<u>\$ 31,592</u>	<u>\$ 81,438</u>

City of Hopewell, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2014

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Building and Bus Replacement Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,489,844	\$ 961,190	\$ 900,891	\$ 711,570	\$ 6,063,495
Receivables, net of allowance for uncollectibles	55,407	2,973	-	-	58,380
Due from other funds	-	-	-	254,434	254,434
Due from other governmental units	1,612,748	76,133	-	-	1,688,881
Inventories	-	51,268	-	-	51,268
Total assets	5,157,999	1,091,564	900,891	966,004	8,116,458
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	503,080	14,562	-	-	517,642
Accrued liabilities	4,400,485	94,554	-	-	4,495,039
Due to other funds	254,434	-	-	-	254,434
Unearned revenues	-	32,020	-	-	32,020
Total liabilities	5,157,999	141,136	-	-	5,299,135
Fund balances:					
Nonspendable	-	51,268	-	232,618	283,886
Restricted	-	899,160	-	-	899,160
Assigned	-	-	900,891	733,386	1,634,277
Total fund balances	-	950,428	900,891	966,004	2,817,323
Total liabilities and fund balances	\$ 5,157,999	\$ 1,091,564	\$ 900,891	\$ 966,004	\$ 8,116,458
Total fund balances per above					\$ 2,817,323
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				\$ 40,327,575	
Less: accumulated depreciation				(11,420,162)	28,907,413
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				(668,563)	
OPEB obligations				(1,104,138)	
Note payable to the Primary Government				(1,711,123)	(3,483,824)
Net position of governmental activities					\$ 28,240,912

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, 2014

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Building and Bus Replacement Fund	Total Governmental Funds
REVENUES					
Revenues from the use of money and property	\$ 84	\$ 110	\$ 118	\$ 119	\$ 411
Charges for services	145,889	508,056	-	-	653,945
Miscellaneous	35,309	-	49	-	35,358
Recovered costs	52,037	-	-	-	52,037
Intergovernmental revenues:					
Local government	11,912,590	-	-	-	11,912,590
Commonwealth	25,127,164	46,385	270,673	-	25,444,222
Federal	4,685,592	1,985,881	-	-	6,651,473
Total revenues	<u>41,958,645</u>	<u>2,520,432</u>	<u>270,840</u>	<u>119</u>	<u>44,750,038</u>
EXPENDITURES					
Current:					
Administration	1,416,233	-	-	-	1,416,233
Instruction	34,813,243	-	152,288	-	34,765,531
Operating	5,784,273	2,517,464	-	-	8,301,737
Capital projects	-	36,721	-	526,366	563,087
Total expenditures	<u>41,813,749</u>	<u>2,554,185</u>	<u>152,288</u>	<u>526,366</u>	<u>45,046,588</u>
Excess (deficiency) of revenues over (under) expenditures	<u>144,896</u>	<u>(33,753)</u>	<u>118,552</u>	<u>(526,247)</u>	<u>(298,552)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	427,409	-	-	681,844	1,109,253
Transfers out	(681,844)	-	-	(427,409)	(1,109,253)
Total other financing sources and (uses), net	<u>(254,435)</u>	<u>-</u>	<u>-</u>	<u>254,435</u>	<u>-</u>
Net change in fund balances	(109,539)	(33,753)	118,552	(271,812)	(296,552)
Fund balances - beginning	109,539	984,181	782,339	1,237,816	3,113,875
Fund balances - ending	<u>\$ -</u>	<u>\$ 950,428</u>	<u>\$ 900,891</u>	<u>\$ 966,004</u>	<u>\$ 2,817,323</u>
Net change in fund balances - total governmental funds - per above					\$ (298,552)
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				\$ 1,111,178	
Net change in City Interest in School assets				989,423	
Depreciation expense				<u>(740,853)</u>	1,389,748
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				29,337	
Increase in OPEB liability				(145,104)	
Decrease in note payable to the Primary Government				<u>100,545</u>	(15,222)
Change in net position of governmental activities					<u>\$ 1,057,874</u>

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, 2014

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenues from the use of money and property	\$ 2,000	\$ 2,000	\$ 64	\$ (1,936)
Charges for services	379,039	379,039	145,889	(233,150)
Miscellaneous	179,398	179,398	36,309	(144,089)
Recovered costs	95,000	201,157	52,037	(149,120)
Intergovernmental revenues:				
Local government	11,612,126	11,912,590	11,912,590	-
Commonwealth	24,657,407	24,718,973	25,127,164	408,191
Federal	5,143,654	5,720,336	4,685,592	(1,034,744)
Total revenues	<u>42,068,624</u>	<u>43,113,493</u>	<u>41,858,645</u>	<u>(1,154,848)</u>
EXPENDITURES				
Current:				
Education	42,010,794	43,165,202	41,813,749	1,351,453
Debt service	2,426,046	2,831,465	-	2,831,465
Total expenditures	<u>44,436,840</u>	<u>45,996,667</u>	<u>41,813,749</u>	<u>4,182,918</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,368,216)</u>	<u>(2,883,174)</u>	<u>144,896</u>	<u>3,028,070</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,795,626	3,201,045	427,409	(2,773,636)
Transfers out	(427,410)	(427,410)	(681,844)	(254,434)
Total other financing sources and (uses), net	<u>2,368,216</u>	<u>2,773,635</u>	<u>(254,435)</u>	<u>(3,028,070)</u>
Net change in fund balance	-	(109,539)	(109,539)	-
Fund balance - beginning	-	109,539	109,539	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2014

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenues from the use of money and property	\$ 8,000	\$ 8,000	\$ 110	\$ (7,890)
Charges for services	587,000	567,000	508,056	(58,944)
Intergovernmental revenues:				
Commonwealth	46,026	46,026	46,385	359
Federal	1,190,000	1,190,000	1,965,881	775,881
Total revenues	<u>1,811,026</u>	<u>1,811,026</u>	<u>2,520,432</u>	<u>709,406</u>
EXPENDITURES				
Current:				
Education	1,929,238	2,235,696	2,081,423	154,273
Operations and maintenance	784,965	526,357	436,041	92,316
Capital projects	96,823	46,973	36,721	10,252
Total expenditures	<u>2,811,026</u>	<u>2,811,026</u>	<u>2,554,185</u>	<u>256,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(33,753)</u>	<u>966,247</u>
Net change in fund balance	(1,000,000)	(1,000,000)	(33,753)	966,247
Fund balance - beginning	1,000,000	1,000,000	984,181	(15,819)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 950,428</u>	<u>\$ 950,428</u>

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, 2014

	Textbook Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenues from the use of money and property	\$ 2,000	\$ 2,000	\$ 118	\$ (1,882)
Miscellaneous	500	500	49	(451)
Intergovernmental revenues -				
Commonwealth	265,089	265,089	270,673	5,584
Total revenues	<u>267,589</u>	<u>267,589</u>	<u>270,840</u>	<u>3,251</u>
EXPENDITURES				
Current:				
Education	650,000	650,000	152,288	497,712
Total expenditures	<u>650,000</u>	<u>650,000</u>	<u>152,288</u>	<u>497,712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(382,411)</u>	<u>(382,411)</u>	<u>118,552</u>	<u>500,963</u>
Net change in fund balance	(382,411)	(382,411)	118,552	500,963
Fund balance - beginning	583,567	583,567	782,339	198,772
Fund balance - ending	<u>\$ 201,156</u>	<u>\$ 201,156</u>	<u>\$ 900,891</u>	<u>\$ 699,735</u>

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, 2014

	Building and Bus Replacement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenues from the use of money and property	\$ 300	\$ 300	\$ 119	\$ (181)
Total revenues	<u>300</u>	<u>300</u>	<u>119</u>	<u>(181)</u>
EXPENDITURES				
Capital projects:				
Capital outlay	495,000	879,320	523,178	356,142
Purchased services and other	-	5,000	3,188	1,812
Total expenditures	<u>495,000</u>	<u>884,320</u>	<u>526,366</u>	<u>357,954</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(494,700)</u>	<u>(884,020)</u>	<u>(526,247)</u>	<u>357,773</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	427,410	427,410	881,844	254,434
Transfers out	<u>(427,410)</u>	<u>(427,410)</u>	<u>(427,409)</u>	<u>1</u>
Total other financing sources, net	<u>-</u>	<u>-</u>	<u>254,435</u>	<u>254,435</u>
Net change in fund balances	(494,700)	(884,020)	(271,812)	612,208
Fund balances - beginning	537,925	927,245	1,237,816	310,571
Fund balances - ending	<u>\$ 43,225</u>	<u>\$ 43,225</u>	<u>\$ 966,004</u>	<u>\$ 922,779</u>

City of Hopewell, Virginia
Balance Sheet
Discretely Presented Component Unit - Comprehensive Services Act Board
June 30, 2014

ASSETS

Due from other governmental units	\$ 692,167
Total assets	\$ 692,167

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	691,520
Accrued liabilities	647
Total liabilities	692,167

Fund balances:

Unassigned	-
Total fund balance	-
Total liabilities and fund balances	\$ 692,167

City of Hopewell, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - Comprehensive Services Act Board
For the Year Ended June 30, 2014

REVENUES	
Miscellaneous	\$ 47,146
Intergovernmental revenues:	
Local government	1,164,256
Commonwealth	<u>2,726,972</u>
Total revenues	<u>3,938,374</u>
 EXPENDITURES	
Current:	
Health and welfare	<u>3,938,374</u>
Total expenditures	<u>3,938,374</u>
 Excess of revenues over expenditures	 <u>-</u>
 Net change in fund balance	 -
Fund balance - beginning	-
Fund balance - ending	<u>\$ -</u>

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
Revenues:				
Revenues from local sources:				
General property taxes:				
Real property taxes	\$ 13,995,000	\$ 13,995,000	\$ 13,771,417	\$ (223,583)
Real and personal public service corporation taxes	3,415,000	3,415,000	3,800,122	385,122
Personal property taxes	4,325,000	4,325,000	2,428,933	(1,896,067)
Machinery and tools taxes	4,759,700	4,759,700	5,066,978	307,278
Penalties	300,000	300,000	207,299	(92,701)
Interest	-	-	33,846	33,846
Total general property taxes	<u>26,794,700</u>	<u>26,794,700</u>	<u>26,308,595</u>	<u>(1,486,105)</u>
Other local taxes:				
Local sales and use taxes	1,933,772	1,933,772	2,050,168	116,396
Consumers' utility taxes	-	-	348,009	348,009
Electric and natural gas consumption taxes	1,800,000	1,800,000	474,505	(1,325,395)
Communications tax	-	-	805,386	805,386
Right of way user fees	60,000	60,000	58,467	(1,533)
Business license taxes	1,923,916	1,923,916	1,773,174	(150,742)
Cable TV and gas franchise tax	2,100	2,100	2,100	-
Motor vehicle licenses	360,000	360,000	387,250	27,250
Bank stock taxes	120,000	120,000	118,408	(1,592)
Taxes on recordation and wills	120,000	120,000	141,737	21,737
Total other taxes	<u>6,319,788</u>	<u>6,319,788</u>	<u>6,159,304</u>	<u>(160,484)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	5,500	5,500	5,226	(274)
Permits and other licenses	6,000	6,000	99,913	93,913
Total permits, privilege fees, and regulators licenses	<u>11,500</u>	<u>11,500</u>	<u>105,139</u>	<u>93,639</u>
Fines and forfeitures:				
Court fines and forfeitures	1,701,800	1,701,800	1,581,049	(140,751)
Revenues from use of money and property:				
Revenue from use of money	7,000	7,000	4,838	(2,162)
Revenue from use of property	42,000	42,000	45,000	3,000
Total revenues from use of money and property	<u>49,000</u>	<u>49,000</u>	<u>49,838</u>	<u>838</u>
Charges for services:				
Charges for law enforcement and traffic control	2,200	2,200	9,221	7,021
Charges for courthouse maintenance	35,000	35,000	42,524	7,524
Charges for EMS	356,000	356,000	348,270	(7,730)
Charges for law library	-	22,000	24,414	2,414
Charges for courthouse security	134,000	134,000	198,077	64,077
Miscellaneous dog fees	(5,000)	(5,000)	3,718	8,718
Total charges for services	<u>522,200</u>	<u>544,200</u>	<u>626,224</u>	<u>82,024</u>
Miscellaneous revenues:				
Miscellaneous	2,194,228	2,767,517	134,486	(2,633,031)
Payment in lieu of taxes	1,261,100	1,261,100	1,257,500	(3,600)
Total miscellaneous revenues	<u>3,455,328</u>	<u>4,028,617</u>	<u>1,391,986</u>	<u>(2,636,631)</u>
Recovered costs:				
Administrative charge back solid waste	502,000	502,000	502,000	-
Administrative charge back sewer service	382,500	382,500	382,500	-
Total recovered costs	<u>884,500</u>	<u>884,500</u>	<u>884,500</u>	<u>-</u>
Total revenues from local sources	<u>39,738,816</u>	<u>40,334,105</u>	<u>36,086,635</u>	<u>(4,247,470)</u>

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
General Fund: (Continued)				
Revenues from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	-	-	28,034	28,034
State recordation tax	20,000	20,000	24,273	4,273
Personal property tax relief funds	-	-	1,618,030	1,618,030
Total noncategorical aid	20,000	20,000	1,670,337	1,650,337
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	392,805	403,300	386,641	(16,659)
Sheriff	329,000	329,000	328,546	(454)
Commissioner of Revenue	103,400	103,400	103,920	520
Treasurer	103,700	103,700	103,336	(364)
Registrar/Electoral Board	33,800	33,800	36,578	2,778
Clerk of the Circuit Court	223,100	223,100	229,632	6,532
Total shared expenses	1,185,805	1,196,300	1,188,653	(7,647)
Other categorical aid:				
Street and highway maintenance	3,495,520	3,495,520	3,606,948	111,428
Emergency medical services- 4 for life	17,000	17,000	18,455	1,455
DMV	10,000	10,000	24,801	14,801
Other state aid	-	-	7	7
HB 599 police support	1,267,000	1,267,000	1,267,000	-
E-911 wireless grant	45,300	45,300	53,670	8,370
Arts and humanities grant	-	-	5,000	5,000
Victim-witness grant	114,000	114,000	95,511	(18,489)
VJCCA	104,500	104,500	105,185	685
Fire programs	62,375	64,000	67,199	3,199
Total other categorical aid	5,115,695	5,117,320	5,243,776	126,456
Total categorical aid	6,301,500	6,313,620	6,432,429	118,809
Total revenues from the Commonwealth	6,321,500	6,333,620	8,102,766	1,769,146
Revenue from the federal government:				
Categorical aid:				
Civil defense, emergency management	124,306	207,100	42,683	(164,417)
CDBG, Social services indirect cost allocation	70,000	70,000	91,671	21,671
OJP grant	-	23,881	89,388	65,507
Fire grant	36,500	36,500	121,670	85,170
Other federal aid	82,794	-	12,744	12,744
Total categorical aid	313,600	337,481	358,156	20,675
Total revenues from the federal government	313,600	337,481	358,156	20,675
Total General Fund	\$ 46,373,916	\$ 47,005,206	\$ 44,547,557	\$ (2,457,649)

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
Expenditures:				
General government administration:				
Legislative:				
City Council	111,285	111,285	128,880	(17,595)
City Clerk	62,000	62,000	78,482	(16,482)
Total general government administration	<u>173,285</u>	<u>173,285</u>	<u>207,362</u>	<u>(34,077)</u>
General and financial administration:				
City Manager	246,000	246,000	462,565	(216,565)
City Attorney	173,000	173,000	252,792	(79,792)
Economic development	126,600	126,600	124,368	2,232
Intergovernmental affairs	90,015	90,015	92,304	(2,289)
Commissioner of Revenue	310,000	310,000	399,866	(89,866)
Human resources department	204,000	204,000	287,712	(83,712)
Treasurer	292,999	292,999	394,493	(101,494)
Finance	1,246,223	1,242,220	1,532,438	(290,218)
Total general and financial administration	<u>2,688,837</u>	<u>2,684,834</u>	<u>3,546,538</u>	<u>(861,704)</u>
Board of elections				
Electoral board and officials	130,998	135,000	133,557	1,443
Total board of elections	<u>130,998</u>	<u>135,000</u>	<u>133,557</u>	<u>1,443</u>
Total general government administration	<u>2,993,120</u>	<u>2,993,119</u>	<u>3,887,457</u>	<u>(894,338)</u>
Judicial administration:				
Courts:				
Circuit Court	70,000	70,000	76,028	(6,028)
General district court	55,000	55,000	60,602	(5,602)
Sheriff	1,080,000	1,093,629	1,267,362	(173,723)
Law library	32,821	22,000	22,610	(610)
Clerk of the circuit court	290,000	290,000	377,883	(87,883)
Court services unit	7,000	7,000	5,264	1,736
Southside Legal Aid contribution	500	500	500	-
Total courts	<u>1,535,321</u>	<u>1,538,129</u>	<u>1,810,239</u>	<u>(272,110)</u>
Commonwealth's Attorney				
Commonwealth's Attorney	415,000	431,774	537,423	(105,649)
Total Commonwealth's Attorney	<u>415,000</u>	<u>431,774</u>	<u>537,423</u>	<u>(105,649)</u>
Total jurisdictional administration	<u>1,950,321</u>	<u>1,969,903</u>	<u>2,347,662</u>	<u>(377,759)</u>
Public Safety:				
Law enforcement and traffic control:				
Police department	5,245,000	5,297,511	6,511,643	(1,214,132)
Total law enforcement and traffic control	<u>5,245,000</u>	<u>5,297,511</u>	<u>6,511,643</u>	<u>(1,214,132)</u>
Fire and rescue services:				
Fire department	2,765,755	2,773,542	3,258,134	(484,592)
Total fire and rescue services	<u>2,765,755</u>	<u>2,773,542</u>	<u>3,258,134</u>	<u>(484,592)</u>
Correction and detention:				
Crater Youth Care Commission	252,000	252,000	230,537	21,463
Riverside Regional Jail	2,453,000	2,453,000	2,607,600	(154,600)
VJCCA grant	147,000	147,000	154,343	(7,343)
Total correction and detention	<u>2,852,000</u>	<u>2,852,000</u>	<u>2,992,480</u>	<u>(140,480)</u>

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
General Fund: (Continued)				
Inspections:				
Building	227,200	228,000	300,520	(72,520)
Total inspections	227,200	228,000	300,520	(72,520)
Other protection				
Animal control	70,447	169,882	180,581	(10,699)
Emergency and safety services	95,646	95,405	120,474	(25,069)
Total other protection	166,093	265,287	301,055	(35,768)
Total public safety	11,256,048	11,416,340	13,363,832	(1,947,492)
Public works:				
Maintenance of highways, streets, bridges and sidewalks				
General engineering	3,775,185	3,729,955	3,893,978	(164,023)
Total maintenance of highways, streets, bridges and sidewalks	3,775,185	3,729,955	3,893,978	(164,023)
Maintenance of general buildings and grounds:				
Cemetery perpetual care	9,650	-	30,035	(30,035)
Total maintenance of general buildings and grounds	9,650	-	30,035	(30,035)
Total public works	3,784,835	3,729,955	3,924,013	(194,058)
Health and welfare:				
Health				
Supplement of local health department	212,000	212,000	212,000	-
Total health	212,000	212,000	212,000	-
Mental health and mental retardation				
Community services board	108,500	108,500	108,420	80
Total mental health and retardation	108,500	108,500	108,420	80
Welfare:				
Contribution fo Comprehensive Services Act Board	-	-	1,164,255	(1,164,255)
Tax relief for the elderly	230,000	230,000	154,173	75,827
Total welfare	230,000	230,000	1,318,428	(1,088,428)
Total health and welfare	550,500	550,500	1,636,848	(1,088,348)
Education:				
Other instructional costs:				
Contribution to community colleges	3,800	3,800	3,800	-
Contribution to City School Board	9,506,751	9,506,751	9,632,115	(125,364)
Total education	9,510,551	9,510,551	9,635,915	(125,364)
Parks, recreation, and cultural				
Cultural enrichment:				
Historic Hopewell Foundation	12,000	12,000	12,000	-
Arts and humanities	1,000	42,100	42,100	-
Total cultural enrichment	13,000	54,100	54,100	-
Library:				
Contribution to regional library	551,300	551,300	551,274	26
Total library	551,300	551,300	551,274	26
Total parks, recreation, and cultural	564,300	605,400	605,374	26

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
General Fund: (Continued)				
Community development:				
Planning and community development:				
Community development	401,689	401,689	433,617	(31,928)
Tourism and economic development	178,627	186,000	177,770	8,230
Total planning and community development	<u>580,316</u>	<u>587,689</u>	<u>611,387</u>	<u>(23,698)</u>
Nondepartmental:				
Employee welfare and other benefits	4,331,300	4,331,300	477,576	3,853,724
Property and liability insurance	290,000	290,000	342,177	(52,177)
Other	101,700	101,700	61,427	40,273
Contingency	514,500	514,500	-	514,500
Contributions to civic organizations	173,900	173,900	174,757	(857)
Total nondepartmental	<u>5,411,400</u>	<u>5,411,400</u>	<u>1,055,937</u>	<u>4,355,463</u>
Debt service:				
Principal retirement	1,550,468	1,550,468	1,550,468	-
Interest and other fiscal charges	1,280,781	1,280,781	1,280,781	-
Total debt service	<u>2,831,249</u>	<u>2,831,249</u>	<u>2,831,249</u>	<u>-</u>
 Total General Fund	 <u>\$ 39,432,640</u>	 <u>\$ 39,606,106</u>	 <u>\$ 39,901,674</u>	 <u>\$ (295,568)</u>

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
Virginia Public Assistance Fund
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
Revenues:				
Revenue from the Commonwealth:				
Categorical aid -				
Public assistance and welfare administration	\$ 1,163,100	\$ 1,163,100	\$ 1,117,363	\$ (45,737)
Total categorical aid	<u>1,163,100</u>	<u>1,163,100</u>	<u>1,117,363</u>	<u>(45,737)</u>
Total revenue from the Commonwealth	<u>1,163,100</u>	<u>1,163,100</u>	<u>1,117,363</u>	<u>(45,737)</u>
Revenues from the federal government				
Categorical aid -				
Public assistance and welfare administration	2,061,200	2,061,200	2,016,752	(44,448)
Total categorical aid	<u>2,061,200</u>	<u>2,061,200</u>	<u>2,016,752</u>	<u>(44,448)</u>
Total revenues from the federal government	<u>2,061,200</u>	<u>2,061,200</u>	<u>2,016,752</u>	<u>(44,448)</u>
Other Revenues -				
Revenues from the use of money and property	-	-	8	8
Total Virginia Public Assistance Fund	<u>\$ 3,224,300</u>	<u>\$ 3,224,300</u>	<u>\$ 3,134,123</u>	<u>\$ (90,177)</u>
Expenditures:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 2,848,774	\$ 2,848,774	\$ 2,754,574	\$ 94,200
Public assistance	775,050	775,050	705,432	69,618
Purchased services	151,176	151,176	160,397	(9,221)
Total welfare and social services	<u>3,775,000</u>	<u>3,775,000</u>	<u>3,620,403</u>	<u>154,597</u>
Total health and welfare	<u>3,775,000</u>	<u>3,775,000</u>	<u>3,620,403</u>	<u>154,597</u>
Total Virginia Public Assistance Fund	<u>\$ 3,775,000</u>	<u>\$ 3,775,000</u>	<u>\$ 3,620,403</u>	<u>\$ 154,597</u>

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
Recreation Fund
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance with Final Positive (Negative)
Revenues:			
Revenues from local sources:			
Revenues from use of money and property:			
Miscellaneous grants	\$ 15,000	\$ 15,330	\$ 330
Revenue from the use of property	207,400	142,209	(65,191)
Total revenues from use of money and property	<u>222,400</u>	<u>157,535</u>	<u>(64,865)</u>
Charges for services -			
Other charges for services	100,000	57,982	(42,018)
Total charges for services	<u>100,000</u>	<u>57,982</u>	<u>(42,018)</u>
Miscellaneous revenues:			
Donations	37,800	75,155	37,355
Miscellaneous refunds and grants	101,871	-	(101,871)
Total miscellaneous revenues	<u>139,671</u>	<u>75,155</u>	<u>(64,516)</u>
Total revenues from local sources	<u>462,071</u>	<u>290,672</u>	<u>(171,399)</u>
Revenue from the federal government			
Categorical aid -			
Summer feeding program	8,000	5,969	(2,031)
Total categorical aid	<u>8,000</u>	<u>5,969</u>	<u>(2,031)</u>
Total revenues from the federal government	<u>8,000</u>	<u>5,969</u>	<u>(2,031)</u>
Total Revenues	<u>\$ 470,071</u>	<u>\$ 296,641</u>	<u>\$ (173,430)</u>
Expenditures:			
Parks, recreation, and cultural:			
Parks and recreation:			
Recreation centers and playgrounds	\$ 1,054,265	\$ 918,552	\$ 135,713
Community division	111,500	91,209	20,291
Athletics division	154,756	143,677	11,079
Seniors' division	148,000	129,843	18,157
Pool center	189,200	196,071	(6,871)
Parks	1,000	-	1,000
Harbor patrol and marina operation	102,550	80,329	22,221
Total parks and recreation	<u>1,761,271</u>	<u>1,559,681</u>	<u>201,590</u>
Total Expenditures	<u>\$ 1,761,271</u>	<u>\$ 1,559,681</u>	<u>\$ 201,590</u>

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
Community Development Block Grant Fund
For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
Revenues			
Revenues from local sources -			
Revenues from use of money and property	\$ -	\$ -	\$ -
Total revenues from the use of money	<u>-</u>	<u>-</u>	<u>-</u>
Revenue from the federal government			
Categorical aid -			
Community Development Block Grant funds	536,067	210,064	(326,003)
Total categorical aid	<u>536,067</u>	<u>210,064</u>	<u>(326,003)</u>
Total revenues from the federal government	<u>536,067</u>	<u>210,064</u>	<u>(326,003)</u>
Total Revenues	<u>\$ 536,067</u>	<u>\$ 210,064</u>	<u>\$ (326,003)</u>
Expenditures			
Community development -			
Planning and community development	\$ 422,597	\$ 278,153	\$ 144,444
Total Expenditures	<u>\$ 422,597</u>	<u>\$ 278,153</u>	<u>\$ 144,444</u>

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
Anti-Litter Fund
For the Year Ended June 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
Revenues			
Revenues from local sources -			
Revenues from use of money and property	\$ -	\$ 3	\$ 3
Total revenues from use of money	<u>-</u>	<u>3</u>	<u>3</u>
Revenues from the Commonwealth:			
Categorical aid -			
Anti-litter grant	5,000	5,699	699
Total categorical aid	<u>5,000</u>	<u>5,699</u>	<u>699</u>
Total revenues from the Commonwealth	<u>5,000</u>	<u>5,699</u>	<u>699</u>
Total Revenues	<u>\$ 5,000</u>	<u>\$ 5,702</u>	<u>\$ 702</u>
Expenditures			
Public works -			
Sanitation and waste removal	\$ 5,000	\$ 3,263	\$ 1,737
Total Expenditures	<u>\$ 5,000</u>	<u>\$ 3,263</u>	<u>\$ 1,737</u>

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2014

	Final Budget	Actual	Variance with Final Positive (Negative)
Revenues			
Revenues from other governments-			
Commonwealth	\$ -	\$ 106,041	\$ 106,041
Total revenues from other governments	-	106,041	106,041
Local sources:			
Other local taxes:			
Hotel and motel room taxes	750,000	659,628	(90,372)
Restaurant food taxes	1,800,000	1,776,247	(23,753)
Total other local taxes	2,550,000	2,435,875	(114,125)
Revenues from use of money and property -			
Revenue from the use of money	10,000	28,603	18,603
Total revenues from use of money and property	10,000	28,603	18,603
Miscellaneous revenues -			
Other miscellaneous	4,134,371	615,972	(3,518,399)
Total miscellaneous revenues	4,134,371	615,972	(3,518,399)
Total revenue from local sources	6,694,371	3,080,450	(3,613,921)
Total Revenues	\$ 6,694,371	\$ 3,186,491	\$ (3,507,880)
Expenditures			
Education:			
Capital projects expenditures:			
GIS mapping	\$ 33,307	\$ -	\$ 33,307
Other projects	5,552,545	3,631,863	1,920,682
Streets, curbs, and gutters	508,487	440,916	67,571
Information management system	50,000	24,895	25,105
Downtown development plan and program	317,382	85,462	231,920
Atwater Road project	23,749	7,388	16,361
Total capital projects	\$ 6,485,470	\$ 4,190,524	\$ 2,294,946
Debt Service:			
Principal retirement	\$ 2,082,400	\$ 3,905,956	\$ (1,823,556)
Interest and other fiscal charges	2,140,000	1,771,384	368,616
Total debt service	\$ 4,222,400	\$ 5,677,340	\$ (1,454,940)
Total Expenditures	\$ 10,707,870	\$ 11,019,623	\$ (311,753)

City of Hopewell, Virginia
 Schedule of Revenues - Budget and Actual
 Component Unit School Board
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
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	\$ 64	\$ (1,936)
Charges for services -				
Charges for education	379,039	379,039	145,889	(233,150)
Miscellaneous revenues -				
Other miscellaneous	179,398	179,398	35,309	(144,089)
Recovered costs -				
E-rate funds	95,000	201,157	52,037	(149,120)
Total revenues from local sources	<u>655,437</u>	<u>761,594</u>	<u>233,299</u>	<u>(528,295)</u>
Intergovernmental revenues:				
Revenues from local governments -				
Contribution from the City of Hopewell, Virginia	11,612,126	11,912,590	11,912,590	-
Total revenues from local governments	<u>11,612,126</u>	<u>11,912,590</u>	<u>11,912,590</u>	<u>-</u>
Revenues from the Commonwealth:				
Categorical aid:				
Share of state sales tax	3,577,151	3,577,151	3,491,144	(86,007)
Basic school aid	11,810,890	11,810,890	12,198,494	387,604
ISAEF	15,717	15,717	17,217	1,500
Remedial summer education	175,980	175,980	106,381	(89,599)
Regular foster care	21,806	21,806	9,072	(12,734)
Special education foster care	-	-	16,015	16,015
Homebound education	18,528	18,528	13,475	(5,053)
Gifted and talented	135,898	135,898	138,760	2,862
Remedial education	809,478	809,478	826,528	17,050
Special education	1,802,123	1,802,123	1,840,082	37,959
Vocational	12,068	12,068	6,659	(5,409)
Vocational adult	6,684	6,684	-	(6,684)
Vocational education	200,892	200,892	205,664	4,772
Social security fringe benefits	815,387	815,387	832,561	17,174
Retirement fringe benefits	1,361,932	1,361,932	1,390,619	28,687
Group life insurance benefits	50,223	50,223	51,281	1,058
Early reading intervention	119,014	119,014	114,254	(4,760)
At-risk payments	1,014,898	1,014,898	1,036,135	21,237
Primary class size	1,130,044	1,130,044	1,184,287	54,243
At-risk four year olds	649,565	649,565	649,565	-
Education technology	206,000	206,000	206,000	-
Standards of Learning algebra readiness	92,602	92,602	92,602	-
National board certified teacher	8,000	8,000	5,000	(3,000)
Mentor teacher program	4,660	4,660	4,316	(344)
English as a second language	84,097	84,097	79,552	(4,545)
Additional assistance for retention	231,452	231,452	231,452	-
Compensation Supplement	302,318	302,318	308,570	6,252
School Security Equipment Grant	-	61,566	61,567	1
Career Switcher New Teacher	-	-	1,000	1,000
STEM Recruitment	-	-	5,000	5,000
Industry certification costs	-	-	3,912	3,912
Total categorical aid	<u>24,657,407</u>	<u>24,718,973</u>	<u>25,127,164</u>	<u>408,191</u>
Total revenues from the Commonwealth	<u>\$ 24,657,407</u>	<u>\$ 24,718,973</u>	<u>\$ 25,127,164</u>	<u>\$ 408,191</u>

City of Hopewell, Virginia
 Schedule of Revenues - Budget and Actual
 Component Unit School Board
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,949,948	\$ 2,239,219	\$ 1,619,535	\$ (619,684)
Title VI-B, special education	940,930	940,930	874,526	(66,404)
Vocational education	99,329	99,329	73,306	(26,023)
Title III	66,642	61,271	23,402	(37,869)
Title II	286,010	286,010	224,215	(61,795)
Impact Aid	38,640	38,640	31,301	(7,339)
Gear up	-	-	(563)	(563)
School Improvement Grant	438,087	730,869	558,811	(172,058)
JROTC	59,500	59,500	64,522	5,022
Head Start	1,181,964	1,181,964	925,063	(256,901)
Medicaid reimbursements	82,604	82,604	286,276	203,672
AP Test Fees	-	-	5,085	5,085
State Assessment & Related Activity	-	-	113	113
Total categorical aid	<u>5,143,654</u>	<u>5,720,336</u>	<u>4,665,592</u>	<u>(1,034,744)</u>
Total School Operating Fund	<u>\$ 42,068,624</u>	<u>\$ 43,113,493</u>	<u>\$ 41,958,645</u>	<u>\$ (1,154,848)</u>
School Cafeteria Fund:				
Revenues from local sources:				
Revenues from use of money and property - Revenue from the use of money	\$ 8,000	\$ 8,000	\$ 110	\$ (7,890)
Charges for services - Cafeteria sales	<u>567,000</u>	<u>567,000</u>	<u>508,056</u>	<u>(58,944)</u>
Total revenues from local sources	<u>575,000</u>	<u>575,000</u>	<u>508,166</u>	<u>(66,834)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid - School food program grant	<u>46,026</u>	<u>46,026</u>	<u>46,385</u>	<u>359</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	1,190,000	1,190,000	1,837,444	647,444
USDA commodities	-	-	128,437	128,437
Total categorical aid	<u>1,190,000</u>	<u>1,190,000</u>	<u>1,965,881</u>	<u>775,881</u>
Total revenues from the federal government	<u>1,190,000</u>	<u>1,190,000</u>	<u>1,965,881</u>	<u>775,881</u>
Total School Cafeteria Fund	<u>\$ 1,811,026</u>	<u>\$ 1,811,026</u>	<u>\$ 2,520,432</u>	<u>\$ 709,406</u>

City of Hopewell, Virginia
 Schedule of Revenues - Budget and Actual
 Component Unit School Board
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Textbook Fund:				
Revenues from use of money and property -				
Revenues from the use of money	\$ 2,000	\$ 2,000	\$ 118	\$ (1,882)
Total revenues from use of money and property	<u>2,000</u>	<u>2,000</u>	<u>118</u>	<u>(1,882)</u>
Miscellaneous revenues -				
Other miscellaneous	500	500	49	(451)
Total miscellaneous revenues	<u>500</u>	<u>500</u>	<u>49</u>	<u>(451)</u>
Intergovernmental revenues:				
Revenues from the Commonwealth:				
Categorical aid -				
Textbook funds	265,089	265,089	270,673	5,584
Total revenue from the Commonwealth	<u>265,089</u>	<u>265,089</u>	<u>270,673</u>	<u>5,584</u>
Total School Textbook Fund	<u>\$ 267,589</u>	<u>\$ 267,589</u>	<u>\$ 270,840</u>	<u>\$ 3,251</u>
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	\$ 300	\$ 300	\$ 119	\$ (181)
Total revenues from use of money and property	<u>300</u>	<u>300</u>	<u>119</u>	<u>(181)</u>
Total Building and Bus Replacement Fund	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 119</u>	<u>\$ (181)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 44,147,539</u>	<u>\$ 45,192,408</u>	<u>\$ 44,750,036</u>	<u>\$ (442,372)</u>

City of Hopewell, Virginia
 Schedule of Expenditures - Budget and Actual
 Component Unit - School Board
 For the Year Ended June 30, 2014

	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	\$ 1,449,424	\$ 1,463,950	\$ 1,418,233	\$ 47,717
Total administration of schools	<u>1,449,424</u>	<u>1,463,950</u>	<u>1,418,233</u>	<u>47,717</u>
Instruction costs:				
Compensation	30,920,661	30,710,690	30,373,805	336,885
Supplies	1,434,891	1,624,486	1,345,796	278,690
Equipment	406,399	386,627	372,681	13,946
Purchased services	1,626,055	2,778,782	2,520,961	257,821
Total instruction costs	<u>34,388,006</u>	<u>35,500,585</u>	<u>34,613,243</u>	<u>887,342</u>
Operating costs:				
Attendance and health services	756,357	809,773	743,136	66,637
Pupil transportation	1,130,354	1,203,521	1,199,050	4,461
Operation and maintenance of school plant	4,286,653	4,187,373	3,842,077	345,296
Total operating costs	<u>6,173,364</u>	<u>6,200,667</u>	<u>5,784,273</u>	<u>416,394</u>
Total education	<u>42,010,794</u>	<u>43,165,202</u>	<u>41,813,749</u>	<u>1,351,453</u>
Operating costs -				
Debt service	2,426,046	2,831,485	-	2,831,485
Total School Operating Fund	<u>\$ 44,438,840</u>	<u>\$ 45,996,687</u>	<u>\$ 41,813,749</u>	<u>\$ 4,182,918</u>
School Cafeteria Fund:				
Education:				
School food services -				
Administration of school food program	\$ 1,929,238	\$ 2,235,696	\$ 2,081,423	\$ 154,273
Total education	<u>1,929,238</u>	<u>2,235,696</u>	<u>2,081,423</u>	<u>154,273</u>
Operations:				
Repair & replacement of equipment	740,467	469,359	399,399	69,980
Other	44,498	58,998	36,842	22,356
Total Operations & Maintenance	<u>784,965</u>	<u>528,357</u>	<u>436,041</u>	<u>92,316</u>
Capital project expenditures -				
Capital projects	96,823	46,973	36,721	10,252
Total capital projects	<u>96,823</u>	<u>46,973</u>	<u>36,721</u>	<u>10,252</u>
Total School Cafeteria Fund	<u>\$ 2,811,026</u>	<u>\$ 2,811,026</u>	<u>\$ 2,554,185</u>	<u>\$ 256,841</u>
Textbook Fund:				
Education -				
Instruction	\$ 650,000	\$ 650,000	\$ 152,288	\$ 497,712
Total education	<u>650,000</u>	<u>650,000</u>	<u>152,288</u>	<u>497,712</u>
Total School Textbook Fund	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ 152,288</u>	<u>\$ 497,712</u>
Capital Projects Fund:				
Building and Bus Replacement Fund				
Education:				
Capital project expenditures:				
Other project costs	\$ -	\$ 5,000	\$ 3,188	\$ 1,812
Capital projects	495,000	879,320	523,178	356,142
Total capital projects	<u>495,000</u>	<u>884,320</u>	<u>526,366</u>	<u>357,954</u>
Total Building and Bus Replacement Fund	<u>\$ 495,000</u>	<u>\$ 884,320</u>	<u>\$ 526,366</u>	<u>\$ 357,954</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 48,392,888</u>	<u>\$ 50,342,013</u>	<u>\$ 45,046,588</u>	<u>\$ 5,295,425</u>

STATISTICAL SECTION

The Statistical Section of the City of Hopewell 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:

	<u>Table</u>
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

Table 1

City of Hopewell, Virginia

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Government activities:										
Net investment in capital assets	\$ (2,904,259)	\$ (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
Restricted	16,720,846	6,623,230	1,238,289	983,265	11,016,079	1,054,321	1,024,445	469,962	472,833	464,911
Unrestricted	10,044,891	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
Total governmental activities net position	\$ 23,861,478	\$ 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
Business-type activities:										
Net investment in capital assets	\$ 5,586,932	\$ 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
Restricted	1,167,481	395,641	395,641	395,641	395,641	395,641	395,641	502,351	-	-
Unrestricted	17,228,877	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
Total business-type activities net position	\$ 23,977,290	\$ 23,230,895	\$ 23,987,697	\$ 22,185,400	\$ 20,209,847	\$ 22,051,417	\$ 24,456,901	\$ 29,399,970	\$ 31,540,419	\$ 32,801,799
Primary Government:										
Net investment in capital assets	\$ 2,676,673	\$ (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
Restricted	17,889,327	7,018,871	1,633,930	1,378,906	11,411,720	1,449,962	1,420,086	972,313	472,833	464,911
Unrestricted	27,273,768	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
Total Primary Government net position	\$ 47,838,768	\$ 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

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Government activities:										
General government	\$ 2,945,790	\$ 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
Judicial administration	1,574,921	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
Public safety	10,565,072	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
Public works	3,485,748	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
Health and welfare	5,342,722	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
Education	11,179,266	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
Parks, recreation and cultural	2,257,163	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
Community development	2,030,064	1,074,519	947,666	1,097,051	1,426,189	1,499,806	2,885,797	735,236	729,140	896,763
Interest on long-term debt	2,141,680	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
Total governmental activities expenses	41,522,426	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
Business-type activities:										
Public utilities	16,185,800	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
Total Primary Government expenses	57,708,226	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
Program Revenues										
Government activities:										
Charges for services:										
General government administration	-	-	-	201,555	-	1,991	7,620	3,913	4,464	3,718
Judicial administration	198,943	99,974	82,948	200,543	362,032	26,273	31,532	35,492	37,325	66,938
Public Safety	224,206	439,608	549,021	293,746	454,764	414,833	463,133	580,930	534,761	595,568
Public Works	-	-	-	-	-	-	19	1	3	7
Parks, recreation and cultural	103,291	231,592	141,640	177,568	102,269	308,350	296,931	253,921	245,420	198,885
Community development	-	-	-	-	-	78,193	70,194	58,448	51,959	82,410
Operating grants and contributions	9,675,502	9,534,091	9,801,482	10,170,554	10,925,941	10,089,840	10,569,646	10,125,073	10,227,954	9,987,193
Capital grants and contributions	-	-	-	262,809	197,033	380,537	361,697	2,400,959	481,634	316,105
Total governmental activities program revenues	10,201,942	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
Business-type activities:										
Charges for services:										
Public utilities	14,195,204	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
Operating grants and contributions	1,174,420	160,762	-	33,661	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	513,084	82,284	3,100,000	1,160,000	-
Total business-type activities program revenues	15,369,624	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
Total Primary Government program revenues	25,571,566	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
Net (expense) / revenue:										
Governmental activities	(31,320,484)	(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)
Business-type activities	(816,176)	(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
Total Primary Government net expense	\$ (32,136,660)	\$ (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)

City of Hopewell, Virginia

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 22,452,725	\$ 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
Local sales and use taxes	1,710,007	1,890,963	1,992,012	1,872,972	1,752,105	1,904,436	1,866,495	1,971,273	1,989,128	2,048,011
Consumer utility taxes	1,138,794	1,141,121	914,129	665,210	349,751	350,230	376,178	347,966	395,950	348,009
Business licenses taxes	1,411,667	1,541,460	1,537,086	1,621,535	1,671,362	1,871,813	1,766,087	1,568,560	1,738,831	1,773,174
Other local taxes	2,672,065	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
Unrestricted grants and contributions	1,591,188	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	992,484	1,736,958	2,033,562	1,768,070	593,272	127,687	154,399	98,440	110,552	78,461
Gain on disposal of capital assets	-	-	-	1,000,000	-	-	-	-	-	-
Interest rate subsidy	147,042	550,795	266,383	266,593	167,241	1,281,867	1,142,241	1,927,346	1,736,852	1,620,797
Miscellaneous	275,000	-	-	-	-	-	-	-	(66,495)	(407,326)
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	32,390,972	33,093,187	35,195,287	31,576,144	33,829,417	37,452,685	37,225,004	38,665,651	39,289,246	38,842,093
Business-type activities:										
Transfers	(275,000)	-	-	-	-	-	-	-	66,495	407,326
Miscellaneous	339,166	798,307	951,842	843,518	404,584	36,210	134,000	460,967	303,374	268,690
Unrestricted revenues from use of money and property	64,166	798,307	951,842	843,518	404,584	36,210	134,000	460,967	566,180	676,016
Total business-type activities	32,455,138	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
Special item- loss on capital contributed	-	-	-	-	-	-	-	-	(1,160,000)	-
Change in Net Position:										
Governmental activities	3,037,879	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)
Business-type activities	(1,918,699)	(17,869)	(592,860)	(802,297)	(1,975,553)	1,239,930	2,405,484	5,143,068	1,940,449	1,947,455
Total Primary Government	\$ 1,119,210	\$ 1,754,834	\$ 4,526,815	\$ (2,348,504)	\$ (4,936,215)	\$ 300,115	\$ (194,274)	\$ 5,678,286	\$ 4,739,230	\$ 867,353

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Reserved	\$ 1,272,858	\$ 1,486,858	\$ 2,145,977	\$ 1,305,385	\$ 1,085,023	\$ 1,146,496				
Unreserved	8,604,101	10,815,318	10,681,284	10,508,586	9,484,371	10,168,180				
Total General Fund	9,876,959	12,302,176	12,827,261	11,813,971	10,569,394	11,314,676				
All other governmental funds:										
Reserved	15,503,841	15,440,761	3,553,175	1,116,638	55,109	35,436				
Unreserved, reported in:										
Special Revenue Funds	503,031	405,094	221,901	228,810	157,004	346,795				
Capital Projects Funds	18,250,454	12,850,203	15,342,304	12,321,255	20,995,610	22,131,546				
Total all other Governmental funds	\$ 34,257,326	\$ 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
Assigned							7,433,145	7,185,036	7,165,036	7,577,377
Unassigned							4,355,131	4,084,446	6,110,082	3,294,763
Total General Fund							\$ 12,141,149	\$ 11,753,572	\$ 13,802,828	\$ 11,378,159
All other Governmental funds:										
Restricted							\$ 10,098,761	\$ 5,789,608	\$ 5,789,508	\$ 5,789,508
Assigned							14,338,352	8,694,433	7,758,080	15,633,457
Unassigned							(246)	(247)	-	-
Total all other Governmental funds							\$ 24,436,855	\$ 26,237,266	\$ 27,350,416	\$ 32,801,124

Note: Fiscal years 2004 through 2010 have not been restated per GASB 54

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
General property taxes	\$ 21,096,729	\$ 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
Other local taxes	6,932,533	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
Permits, privilege fees/regulatory licenses	93,462	179,406	204,518	206,454	135,509	352,348	31,956	41,144	42,889	105,139
Fines and forfeitures	79,376	74,318	69,921	155,217	282,130	714,594	1,288,030	1,866,202	1,544,560	1,561,049
Revenue from use of money and property	992,484	1,736,958	2,033,562	1,407,833	593,272	349,168	369,081	293,153	275,553	220,657
Charges for services	353,602	517,450	499,070	511,741	501,426	536,670	587,937	680,400	662,134	684,206
Miscellaneous	143,552	549,450	271,236	266,593	167,241	471,398	227,844	1,146,505	2,323,369	2,083,113
Recovered costs	-	996,392	824,000	823,000	872,000	872,000	884,500	884,500	884,500	884,500
Intergovernmental	11,266,690	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
Total revenues	40,960,428	44,938,510	45,395,511	46,343,270	46,025,680	50,956,585	48,187,618	51,323,718	53,392,709	51,380,578
Expenditures:										
General government administration	2,725,084	2,869,051	3,207,029	3,471,466	3,555,998	3,529,854	2,836,083	2,946,336	3,038,151	3,887,357
Judicial administration	1,331,479	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
Public safety	10,307,147	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
Public works	3,339,381	3,736,617	3,682,520	4,161,179	4,248,536	3,963,139	3,414,050	3,468,258	3,570,454	3,927,276
Health and welfare	5,218,907	5,143,541	5,198,729	5,077,319	5,673,538	5,470,641	5,414,230	5,442,824	5,154,545	5,259,251
Education	9,564,280	9,708,817	9,800,130	10,507,034	11,045,521	15,691,522	20,957,047	21,060,268	11,102,916	10,787,574
Parks, recreation and cultural	2,216,435	2,283,280	2,255,777	2,302,098	2,300,336	2,083,326	2,080,477	2,273,806	2,114,530	2,165,055
Community development	1,308,672	1,164,345	978,544	1,078,552	1,003,857	1,040,742	793,509	657,839	718,234	889,540
Nondepartmental	864,169	746,960	903,500	968,612	864,074	1,025,073	5,075,563	4,866,933	5,153,440	1,056,007
Capital projects	1,511,459	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
Debt service:										
Principle	2,388,320	3,427,039	2,378,916	2,513,941	3,648,595	1,390,172	4,155,218	1,696,274	2,510,773	5,456,424
Interest	1,893,991	2,168,868	1,980,517	2,975,833	1,610,185	1,793,289	2,179,947	2,752,663	2,984,085	3,052,165
Total expenditures	42,669,324	49,533,032	54,449,103	51,322,938	50,061,577	51,706,020	63,597,037	61,684,456	52,213,064	58,382,797
Excess of revenues over (under) expenditures	(1,708,896)	(4,544,522)	(9,053,592)	(4,979,668)	(4,035,897)	(750,435)	(15,409,419)	(10,340,738)	1,178,645	(5,002,219)
Other financing sources (uses):										
Transfer in	4,236,279	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
Transfer out	(3,961,279)	(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)
Refunding bonds issued	-	-	-	18,210,000	2,155,000	-	-	-	-	-
Bonds issued	20,000,000	858,896	-	-	10,000,000	-	17,715,000	-	-	10,860,253
Premium on bonds issued	648,711	-	-	-	303,340	2,601,771	80,220	-	-	-
Refunded bonds redeemed	-	-	-	(20,000,000)	(2,126,000)	-	-	-	-	-
Interest rate subsidy	-	-	-	-	-	-	363,750	-	-	-
Sale of capital assets	-	-	-	1,000,000	-	-	-	-	-	-
Total other financing sources (uses), net	20,923,711	859,896	-	(780,000)	10,332,340	2,801,771	18,158,970	-	(66,495)	10,462,927
Net change in fund balances	\$ 19,244,815	\$ (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
Debt service as a percentage of noncapital expenditures	10.35%	13.06%	9.60%	11.10%	10.61%	6.29%	11.77%	7.66%	11.70%	15.70%

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
2014	1.08	\$ 1,515,543,600	3.50	\$ 108,045,354	3.05	\$ 175,948,856	\$ 351,700,185	1.08	\$ 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	1.08	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	128,341,114	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%
2005	1.20	926,602,083	3.05	118,025,410	3.05	176,400,688	361,479,667	1.54	1,582,507,848	1,499,091,288	105.56%

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 commercial 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		Total Direct Rate(3)
				Real Estate	Personal Property	
2005	\$1.20	\$3.05	\$3.05	\$1.20	\$3.05	\$1.54
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

(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**

<u>Taxpayer</u>	<u>Fiscal Year 2014</u>		<u>Fiscal Year 2005</u>	
	<u>2013 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>2004 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Honeywill International	\$ 127,649,914	7.0%	\$ 102,458,294	6.5%
Hopewell Cogentric Limited Partnership	101,122,263	5.5%	129,096,981	8.2%
Dominion Virginia Power	95,297,228	5.2%	47,932,822	3.0%
Columbia HCA/John Randolph Hospital	85,383,233	4.7%	24,779,600	1.6%
Alliance Group Rock Tenn	79,252,644	4.3%	37,536,434	2.4%
Ashland Aqualon Company	54,102,527	3.0%	33,036,900	2.1%
Virginia American Water Company	47,173,385	2.6%	20,834,077	1.3%
James River Cogeneration Company	37,441,217	2.0%	47,932,822	3.0%
Verizon Virginia Inc	6,820,390	0.4%	11,969,665	0.8%
	<u>\$ 634,242,801</u>	<u>34.7%</u>	<u>\$ 455,577,595</u>	<u>28.8%</u>

Source: Municipal Tax Assessor

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
2014	\$ 27,263,306	\$ 25,359,477	93.02%	\$ -	\$ 25,359,477	93.02%
2013	25,910,451	25,275,937	97.55%	336,133	25,612,070	98.85%
2012	25,502,328	24,389,663	95.64%	1,090,975	25,480,638	99.91%
2011	25,806,316	24,573,947	95.22%	1,167,165	25,741,112	99.75%
2010	25,365,543	24,277,032	95.71%	893,937	25,170,969	99.23%
2009	25,394,983	21,359,404	84.11%	2,975,416	24,334,820	95.83%
2008	23,544,869	21,035,463	89.34%	2,246,029	23,281,492	98.88%
2007	23,967,262	21,167,844	88.32%	2,506,683	23,674,527	98.78%
2006	23,704,873	21,430,559	90.41%	2,041,265	23,471,824	99.02%
2005	24,705,828	18,391,177	74.44%	3,548,823	21,940,000	88.80%

Source: Municipal Tax Assessor

Table 9

City of Hopewell, Virginia

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/Bonds	General Obligation Bond Premium	Capital Leases	Revenue Bonds	Revenue Bond Premium	Capital Leases			
2014	\$ 57,473,287	\$ 3,021,800	\$ -	\$ 230,082	\$ -	\$ 33,680,000	\$ 692,558	\$ -	\$ 95,097,727	12.22%	4,210
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%	2,523
2008	31,342,111	6,559,000	-	-	-	11,735,000	-	-	49,636,111	7.22%	2,220
2007	34,814,452	7,390,000	-	259,485	-	12,200,000	-	-	54,663,937	8.15%	2,434
2006	36,363,368	8,221,000	-	389,227	-	12,685,000	-	28,334	57,658,595	8.84%	2,563
2005	37,000,511	9,052,000	1,100,000	518,969	-	13,305,000	-	58,667	60,976,480	10.84%	2,707

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)
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%	1,843
2009	45,453,940	4,500,000	40,953,940	2.10%	1,321
2008	37,901,111	4,500,000	33,401,111	1.96%	1,085
2007	42,463,937	4,500,000	37,963,937	2.22%	1,687
2006	44,973,595	4,500,000	40,473,595	2.36%	1,793
2005	46,571,480	4,500,000	42,071,480	2.67%	1,859

(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, Literay Fund Loans, excludes revenue bonds, capital lease, and compensated absences.

Table 11

City of Hopewell, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 92,660,208	\$ 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
Total net debt applicable to limit	46,571,480	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
Legal debt margin	\$ 46,088,728	\$ 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
Total net debt applicable to the limit as a percentage of debt limit	50.26%	48.40%	37.84%	33.09%	33.96%	33.88%	43.83%	43.49%	42.25%	45.41%

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 2014

Assessed value	\$ 1,332,628,500
Add back: exempt real property	-
Total assessed value	1,332,628,500
Debt limit (10% of total assessed value) (a)	133,262,850
Net debt applicable to limit	60,516,432
Legal debt margin	\$ 72,746,418

City of Hopewell, Virginia

Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (a)</u>	<u>Personal Income (b)</u>	<u>Per Capita Personal Income (c)</u>	<u>Unemployment Rate(d)</u>
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%
2005	22,354	558,447,628	26,660	6.80%

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

Employer	Fiscal Year 2014			Fiscal Year 2005			% of Total City Employment
	Employees	Rank	Employees	Rank	Employees	Rank	
City of Hopewell School System	500 to 999	1	n/a	n/a	n/a	n/a	0.00%
Honeywell International	500 to 999	2	n/a	n/a	n/a	n/a	0.00%
Columbia HCA/John Randolph Hospital	500 to 999	3	n/a	n/a	n/a	n/a	0.00%
City of Hopewell	250 to 499	4	n/a	n/a	n/a	n/a	0.00%
Alliance Group Rock Tenn	250 to 499	5	n/a	n/a	n/a	n/a	0.00%
Ashland Aqualon Company	100 to 249	6	n/a	n/a	n/a	n/a	0.00%
Evonik Industries	100 to 249	7	n/a	n/a	n/a	n/a	0.00%
Shaw Services LLC	100 to 249	8	n/a	n/a	n/a	n/a	0.00%
Hopewell Healthcare Center	100 to 249	9	n/a	n/a	n/a	n/a	0.00%
River View on the Appomattox	100 to 249	10	n/a	n/a	n/a	n/a	0.00%

Source: Virginia's Gateway Region

n/a - Information not currently available

Table 14

City of Hopewell, Virginia

Full-time City Government Employees by Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government:										
City Clerk	1	1	1	1	1	1	1	2	1	1
City Attorney	2	2	2	2	2	2	2	2	2	2
City Manager	7	7	3	6	6	6	6	6	7	7
Finance department	14	14	18	15	15	15	15	15	14	14
City treasurer	6	6	6	5	5	5	5	5	5	5
Commissioner of revenue	6	6	6	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	6	5	5	5	5	5	5	5
Commonwealth Attorney	7	7	7	9	9	7	7	7	6	6
Court services	3	4	4	2	2	2	2	2	3	3
General district court								1	1	1
Public safety:										
Sheriff department	9	9	9	9	9	9	9	10	10	10
Fire & rescue	41	43	43	43	43	46	46	46	45	45
Building inspections	5	5	7	7	7	6	6	6	6	6
Police department	73	73	73	73	73	76	76	78	81	82
Animal control	3	3	3	3	3	1	1	1	1	1
Emergency services	1	1	1	1	1	1	1	1	1	1
Public Works:										
General maintenance	39	39	39	36	36	34	34	34	34	34
Landfill	2	2	2	2	2	2	2	2	2	2
Engineering	4	4	4	4	4	3	3	3	3	3
Sewer services	63	63	63	63	64	60	60	60	61	61
Health & welfare:										
Department of Social Services	41	41	41	41	41	40	40	40	40	40
Community Services Act	2	1	1	1	1	1	1	1	1	1
Culture and recreation:										
Parks and recreation	17	17	17	17	17	15	15	15	15	15
Tourism	1	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	2	1	1	1	1	1
Totals	360	362	364	362	361	351	351	356	358	359

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

City of Hopewell, Virginia

Operating Indicators by Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police department:										
E911 calls answered	17,733	-	22,906	22,381	19,764	14,101	17,075	17,329	24,655	14,205
Animal calls answered	1,539	1,805	1,847	1,912	1,361	1,856	2,757	3,028	2,818	2,917
Physical arrests	1,733	1,154	1,362	1,233	1,048	1,412	1,753	1,388	1,031	1,394
Civil papers										
Fire and rescue:										
Fire calls	1,104	1,117	1,225	1,232	1,164	3,130	3,430	3,687	3,213	3,352
EMS calls	1,517	1,623	1,993	2,046	1,944	3,557	3,505	3,615	3,545	3,556
Building inspections:										
Permits issued (all)	1,277	1,270	1,535	1,482	2,568	1,783	855	957	957	958
Inspections done (all)	1,266	915	1,264	1,174	2,895	4,607	482	2,560	2,560	2,297
Public works										
General maintenance:										
Work orders issued	N/A	N/A	N/A	2,720	2,002	1,898	1,429	n/a	2,502	N/A
Health and welfare										
Department of Social Services:										
Caseload*	8,425	8,336	8,600	8,436	9,087	10,378	10,707	10,911	10,911	11,446
Culture and recreation										
Parks and recreation:										
Community center visits	40,672	44,099	43,369	55,066	55,046	45,253	57,556	55,565	55,565	59,845
Summer program participants	597	452	421	425	320	1,058	1,303	n/a	n/a	n/a
Youth sports participants				4,039	4,627	5,314	4,461	n/a	n/a	2,235
Community development										
Planning:	884	989	1,142	1,346	1,376	496	218	291	291	539
Zoning permits issued										

Source: Individual city department workload counts.

* Average total case count.

City of Hopewell, Virginia

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Administration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	4	4	6	6	6	6	6	6	6	5
Public Works										
Vehicles	-	-	43	43	43	43	43	43	46	48
Public safety										
Police department:										
Vehicles	-	-	61	60	60	60	60	60	60	60
Sheriff department:										
Vehicles	-	-	11	13	14	14	14	14	16	18
Fire department:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Fire trucks	6	6	6	6	6	6	6	6	5	5
Other vehicles	8	8	8	8	8	8	8	8	8	8
Building inspectors:										
Vehicles	6	7	7	7	7	7	7	7	9	10
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

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 the City Council
City of Hopewell, Virginia

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 23, 2015. That report recognizes that the City implemented one new accounting standard effective July 1, 2013.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 *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. 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2014-001 to be a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and one instance of noncompliance that is required to be reported under the *Specifications for Audits of Counties, Cities and Towns*, which is reported in the accompanying Schedule of Findings and Questioned Costs as item 2014-003.

City of Hopewell, Virginia Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cheryl Behrman CP".

Richmond, Virginia
June 23, 2015

**Report of Independent Auditor on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hopewell, Virginia's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-002 to be a material weakness.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.



Richmond, Virginia
June 23, 2015

City of Hopewell, Virginia
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2014

	Federal Catalogue Number	Expenditures
<u>Department of Agriculture</u>		
<u>Pass Through Payments:</u>		
Department of Education		
National school breakfast program	10.553	\$ 539,851
National school lunch program	10.555	1,297,593
Subtotal		<u>1,837,444</u>
Department of Social Services		
State Admin Matching Grants for Supplemental Nutrition Assistance Programs	10.561	412,987
Total Department of Agriculture		<u>2,250,431</u>
<u>Department of Defense</u>		
<u>Direct Payment</u>		
JROTC	12.000	64,522
Total Department of Defense		<u>64,522</u>
<u>Department of Housing and Urban Development</u>		
<u>Direct Payments:</u>		
Community Development Block Grant- State Programs	14.228	210,064
Total Department of Housing and Urban Development		<u>210,064</u>
<u>Department of Justice</u>		
<u>Pass Through Payments:</u>		
Bulletproof Vest Partnership Program	16.607	2,390
Victim Witness	16.575	77,685
Public Safety Partnership and Community Policing Grant	18.710	101,815
Edward Byrne Memorial Justice Assistance Program	16.738	21,555
Total Department of Justice		<u>203,435</u>
<u>Department of Transportation</u>		
<u>Pass Through Payments:</u>		
Dept. of Motor Vehicles		
State and Community Highway Safety Program - Police	20.600	3,090
Total Department of Transportation		<u>3,090</u>
<u>Department of Education</u>		
<u>Direct Payments:</u>		
Impact Aid	84.041	31,301
<u>Pass Through Payments:</u>		
Title I: Grants to local educational agencies	84.010	1,618,535
Special education cluster:		
Special education grants to states	84.027	651,864
Preschool Handicapped	84.173	22,662
Sub total		<u>674,526</u>
Career and Technical Education: National Programs	84.048	73,306
Advanced Placement Incentive Program	84.330	5,085
English Language Acquisition Grants (Title III)	84.365	23,402
Improving Teacher Quality State (Title II A)	84.367	224,215
School Improvement Grant	84.377	558,811
Total Department of Education		<u>3,410,181</u>

City of Hopewell, Virginia
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2014

	Federal Catalogue Number	Expenditures
<u>Department of Health and Human Services</u>		
<u>Direct Payments:</u>		
Administration for Children, Youth and Families (Head Start and Day Care Grant)	93.600	925,063
<u>Pass Through Payments:</u>		
Promoting Safe and Stable Families	93.556	11,170
Temporary Assistance for Needy Families (TANF)	93.558	482,886
Low Income Home Energy Assistance	93.568	47,054
Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	61,467
Chafee Education and Training Vouchers Program	93.589	2,206
Child Welfare Services - State Grants	93.645	3,158
Foster Care - Title IV-E	93.658	255,214
Adoption Assistance	93.659	183,119
Social Services Block Grant	93.667	283,450
Chafee Foster Care Independence Program	93.674	4,216
State Children's Insurance Program	93.767	12,099
Medical Assistance Program	93.778	650,072
Total Department Health and Human Services		<u>2,921,174</u>
<u>Department of Homeland Security</u>		
<u>Pass Through Payments:</u>		
Dept. of Emergency Services		
Urban Areas Security Initiative	97.008	63,493
Emergency Management Performance Grants	97.042	42,959
Assistance to Firefighters Grant	97.044	15,218
Total Department of Homeland Security		<u>121,670</u>
Total federal expenditures		<u>\$ 9,184,567</u>

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards present the activity of all federally assisted programs of the City of Hopewell, Virginia. The City's reporting entity is defined in Note 1 of the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies are included in the schedule.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements. The City participated in federal programs below in which non-cash benefits are provided through the state to eligible program participants:

Food Distribution Programs (CFDA Number 10.555)- The value of food commodities was calculated using the U.S. Department of Agriculture's Food and Nutrition Service commodity price lists.

Note 3 - Relationship to the Financial Statements

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:
 Intergovernmental federal revenues per the basic financial statements:

Primary Government		
General fund		\$ 358,156
Special revenue funds:		
Virginia Public Assistance Fund		2,016,752
Community Development Block Grant Fund		216,033
Total primary government		<u>2,590,941</u>
Component Unit - School Board:		
School Operating Fund		4,685,592
School Cafeteria Fund		1,868,681
Total component unit school board		<u>6,554,273</u>
Total federal revenues per basic financial statements		9,245,414
Other reconciling items		87,590
Reconciliation for school food commodities		<u>(128,437)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards		<u>\$ 9,184,567</u>

CITY OF HOPEWELL
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2014

Summary of Auditor's Results

1. The type of report issued on the basic financial statements: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of financial statements: **Yes, Finding 2014-001**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major programs: **None reported**
6. Material weaknesses in internal control over major programs: **Yes, Finding 2014-002**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.010	Title I Cluster
84.027/173	Special Education Cluster
93.778	Medicaid Cluster
93.658	Foster Care

10. Dollar threshold used to distinguish between type A and type B programs: \$300,000
11. City of Hopewell is not a low risk auditee.

CITY OF HOPEWELL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

B. Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards:

2014-001 – Material Weakness – Financial Accounting and Reporting

Criteria:

In order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), accurate and complete general and subsidiary ledgers must be maintained to support the fair and timely presentation of the City's financial statements and to ensure accountability to the citizens of the City.

Condition and Effect:

Yearly, the City's Finance Department oversees the preparation, processing and recordation of tens of thousands of financial transactions that ultimately will be reflected in the yearly Comprehensive Annual Financial Report (CAFR), which is also produced by the Finance Department. In order to ensure the transactions are fairly presented, procedures must be in place and functioning effectively to ensure the financial information is complete and accurate. During the fiscal year end closing and the CAFR audit processes, the City was impacted by turnover of key Finance Department staff in addition to implementation of a new financial system (MUNIS) on September 3, 2014, which required resources from the Finance Department. Both of these matters delayed the City in reconciling and analyzing fiscal year 2014 balances and activity levels. During audit fieldwork, adjustments to the City's records in the following areas were needed to fairly present the basic financial statements in accordance with GAAP:

- Capital asset activity in the current year
- Adjustments to reconcile amounts reported as Due from Other Governments
- Adjustments to reconcile the enterprise fund Compensated absences liabilities
- Numerous entries to properly reflect City activities in accordance with GAAP (e.g., balancing inter-entity transactions, assistance with year-end closing entries,)

Non-functioning internal controls increase the probability that monthly and yearly financial accounting and reporting could contain errors, which have the potential to negatively impact the decisions made by management utilizing financial data from the general ledger

Cause:

Existing internal controls and review procedures did not ensure the accuracy, completeness and timeliness the City's general ledger.

Recommendation:

The City needs to achieve full budgeted employment in the Finance Department and strengthen its internal controls around the financial accounting and reporting process.

View of Responsible Officials and Planned Corrective Action:

Responsible Person: Jerry Whitaker, City Finance Director

Estimated completion: Currently under evaluation

CITY OF HOPEWELL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Corrective Action: A new position of Accountant/Budget Analyst was requested but not funded. In lieu of the new FTE position not being funded, one of the clerical position that became vacant with be abolished and the FTE will used to fill the FTE with an Accountant/Budget Analyst. Management will continue to evaluate the needs of the department to assure adequate staffing to effective manage the finances of the City.

C. Findings and Questioned Costs Relating to Federal Awards:

2014-002 – Material Weakness and Other Instance of Noncompliance – Eligibility

Program – Medicaid (CFDA 93.778) – U.S. Department of Health and Human Services – Virginia Department of Social Services; Federal Award Number – not available; Federal Award Year – 2014)

Criteria:

Per the 42 CFR sections 435.907, 435.910, 435.913, 435.916 and 435.920, participants in the Medicaid program must meet specified eligibility criteria to receive program assistance. For participants in the program longer than one year, a redetermination of eligibility is required to be performed at least every 12 months.

Condition:

For two of 60 participants tested, the required eligibility redetermination was not performed within 12 months of the previous determination.

Cause:

A lack of functioning controls over participant redetermination activities by City personnel.

Effect:

The City's inability to provide documentation supporting all participants' eligibility may result in costs disallowed by the grantor or reduced future funding for this program.

Questioned Costs: Unknown

Recommendation:

The City should implement a corrective action plan aimed at enhancing internal controls related to redetermination of eligibility to ensure that the 12 month requirement is met.

View of Responsible Officials and Planned Corrective Action:

Responsible Person: Ray Spicer, Director of Social Services

Estimated completion: Currently in process

Corrective Action: The Virginia Department of Social Services implemented a new automated eligibility system which proved to have numerous technical glitches. Although significant progress has been made, the State continues to resolve outstanding system programming

CITY OF HOPEWELL
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

issues. These system issues have significantly impeded Benefit Workers ability to process new cases and complete ongoing case redeterminations in a timely manner. Social Services will implement a 3-step process to ensure program compliance: 1) prioritize cases that are overdue for annual redeterminations for immediate attention; 2) review program policy with staff at monthly staff unit meetings; and ensure close monitoring of caseloads by unit supervisors.

D. Findings and Questioned Costs Relating to Compliance with Commonwealth of Virginia Laws, Regulations, Contracts, and Grants

2014-003 Conflicts of Interest

Criteria:

As described in Section 2.2-3115 of the *Code of Virginia*, local officials must file an annual disclosure form, disclosing personal financial interests that may cause conflicts.

Condition:

Four members of the Board of Equalization were late submitting the annual conflict of interest disclosure.

Cause:

Unknown

Effect:

Non-compliance may result in action by the Commonwealth.

Recommendation:

Elected officials and board members should complete all questions on the disclosure form and submit to the City Clerk in order to ensure timely submission to the State.

View of Responsible Officials and Planned Corrective Action:

Responsible Person: Cynthia Ames, City Clerk

Estimated completion: Currently in process

Corrective Action: A checklist of who must complete a conflict of interest form will be created and submitted to senior management for review.

CITY OF HOPEWELL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Status of Prior Year Findings:

2013-1 – Financial Accounting and Reporting – Finding repeated as finding 2014-001.

Corrective Action Plan: See management's response to finding 2014-001 above.

2013-2 – Federal Reporting - The Director of Finance worked with staff to identify grant revenues/expenditures recorded in the general ledger and assisted with the preparation of the SEFA. The Director of Finance will continue to work with the staff to further improve efficiencies in grant management and reporting.

2013-3 – Eligibility – Medicaid (CFDA 93.778) – U.S. Department of Health and Human Services – Virginia Department of Social Services; Finding repeated as finding 2014-002.

Corrective Action Plan: See management's response to finding 2014-002 above.

2013-4 Conflicts of Interest- Finding repeated as finding 2014-003.

Corrective Action Plan: See management's response to finding 2014-003 above.

Ronnieye Arrington

From: City Councilor Jasmine Gore <goreje@mymail.vcu.edu>
Sent: Friday, August 25, 2017 5:13 PM
To: Ronnieye Arrington
Subject: Fwd: RE: CAFR Request

----- Forwarded message -----

From: "Shornak, Jacqueline M." <jmshornak@kaufcan.com>
Date: Feb 2, 2017 3:48 PM
Subject: RE: CAFR Request
To: "Mark Haley" <Mhaley@hopewellva.gov>, "Jasmine j. Gore" <goreje@mymail.vcu.edu>, "Stefan Calos" <scalos@sandsanderson.com>
Cc: "Janice Denton" <janicedenton@gmail.com>, "Jackie Shornak" <jshornak@hotmail.com>, "Brenda Pelham" <pelhamward6councilor@gmail.com>, "Arlene Holloway" <ahollowat@hopewellva.gov>, "Tony Zevgolis" <zandzinc@juno.com>, "Christina Bailey" <Clumanbailey@gmail.com>, "Lance Wolff" <lwoff@hopewellva.gov>, "Charles E. Dane" <cdane@hopewellva.gov>

This message was sent securely using ZixCorp.

Delegate Ingram made me aware of the State Auditor Letter when I saw him at the Fort Lee Mayor's event. I asked him for a copy. In the letter it was more or less asking the legislators of those localities to try and see what the delay was all about. The information in the CAFRs was holding up other agencies from obtaining information for other reports. At the VML Day, Delegate Ingram also told me that they had mentioned Hopewell during the Committee meeting in a not so flattering way. He was angered about them singling out Hopewell and raised his hand and asked to speak about it. He stated that the City was working very hard to complete the 2015 and should have it within the next 2 weeks. He said it was attributed to a new accounting system and the departure of the Finance Director. He also told me that many others on Capitol Hill were asking what was wrong with Hopewell's financial situation and that he was trying to keep the dogs away by reassuring them we were in fine financial condition unlike Petersburg. Delegate Ingram said that not having timely CAFRs could have an effect on Hopewell with the possibility of getting funds for special projects in the future if the CAFRs are not kept up-to-date. I think we owe Delegate Ingram thanks for coming to our rescue.

Jacqueline M. Shornak

Commercial Paralegal

Kaufman & Canoles, P.C.

4801 Courthouse Street, Suite 300

Williamsburg, VA 23188

T [\(804\) 771.5757](tel:8047715757)

F [\(888\) 360.9092](tel:8883609092)

jmsornak@kaufcan.com

www.kaufCAN.com

From: Mark Haley [mailto:Mhaley@hopewellva.gov]

Sent: Thursday, February 02, 2017 12:31 PM

To: Jasmine j. Gore; Stefan Calos

Cc: Janice Denton; Jackie Shornak; Brenda Pelham; 'Arlene Holloway'; Tony Zevgolis; Christina Bailey; Shornak, Jacqueline M.; Lance Wolff; Charles E. Dane

Subject: RE: CAFR Request

Response as follows:

First Hopewell is not one of 33 we are one of 21 communities who are late meeting the November 30, 2016 deadline to submit a 2016 CAFR; this information is detailed in a 1/19/17 memo from the State Auditor of Public Accounts to the Joint Legislative Audit and Review Committee. The House Appropriations Committee also received this memo and a copy was forwarded to me by Del. Ingram.

In addition, as you all know, Hopewell is late on the 2016 submittal because the 2015 is not complete and we are the only community in VA to have not yet submitted a 2015 CAFR.

Both of the above facts have been repeatedly discussed with our delegation with additional follow up scheduled for next week as the 2015 CAFR gets closer to completion..

No request for a letter or a response to the State Auditor had been sent to me, however I had requested the Finance Director keep all interested parties (VRA, State, banks etc.) informed as to our 2015 CAFR status. I fully intend to respond to the State Auditor but only when I know for certain I can tell her an **exact** date for completion. It would have only made things worse if I provided a date a month ago and have that be incorrect.

Our staff and the Cherry-Bekeart audit team continue to grind away and I hope to hear a firm date commitment for completion early next week.

Mark A. Haley, City Manager

City of Hopewell

300 N. Main Street, Suite 216

Hopewell, VA 23860

☎ [804.541.2243](tel:804.541.2243)

☎ [804.541.2248](tel:804.541.2248)

✉ mhaley@hopewellva.gov

Visit us on the web at www.hopewellva.gov



From: City Councilor Jasmine Gore [<mailto:goreje@mymail.vcu.edu>]

Sent: Thursday, February 02, 2017 10:42 AM

To: Mark Haley; Stefan Calos

Cc: Janice Denton; Jackie Shornak; Brenda Pelham; Arlene Holloway; Tony Zevgolis; Christina Bailey

Subject: CAFR Request

Hello everyone,

I was contacted by one of state delegates last week regarding our CAFR. During a committee meeting the Auditor of Public Accounts publicly stated that the City of Hopewell is one of 33 localities in the state that has been non-responsive and has failed to send in their financial statements and additional data to that office. The report was provided to the Appropriations Committee on fiscally distressed localities.

There has been a request to ask the City Manager to at least provide a response to the auditor about the 2015 CAFR and our current plans/status.

I am not sure if a letter has been sent to that office, prior to my message. However, if that has not occurred, please write the office and share that that City of Hopewell is aware of the noncompliance, is working on the audit and will complete it soon. I will share with our delegate that this request has been submitted to City Council to ensure that a response is provided to the Auditor of Public Accounts.

Sincerely,

Vice Mayor Gore

The information contained in this electronic message is legally privileged and confidential under applicable law, and is intended only for the use of the individual or entity named above. If you are not the intended recipient of this message, you are hereby notified that any use, distribution, copying or disclosure of this communication is strictly prohibited. If you have received this communication in error, please notify Kaufman & Canoles at [\(757\) 624-3000](tel:(757)624-3000) or by return e-mail to helpdesk@kaufcan.com, and purge the communication immediately without making any copy or distribution.

This message was secured by [ZixCorp](#)^(R).

Rachel Reamy

From: LocalGovernment
Sent: Tuesday, January 10, 2017 5:21 PM
To: 'dmuritala@hopewellva.gov'
Cc: 'Rob Churchman (RChurchman@cbh.com)'; Martha Mavredes
Subject: FW: Status of Hopewell 2015 Audited Financial Report and Transmittal form

Good evening,

I received an automatic email message that Mr. Whitaker is no longer employed with the City. Please see the APA's request sent below.

Mr Whitaker's information is the only contact information that we have on file for the City's required annual submissions of their audited financial statements and Comparative Report transmittal data to the APA. We appreciate updated contact information for the applicable City contact that will now be handling these required submissions.

Thank you,



Rachel N. Reamy, CGFM

Local Government Audit Manager
[Auditor of Public Accounts | Commonwealth of Virginia](#)
101 North 14th Street, 8th Floor | Richmond, VA 23219
(804) 225-3350 ext. 360 | rachel.reamy@apa.virginia.gov

From: LocalGovernment
Sent: Tuesday, January 10, 2017 5:04 PM
To: 'Jerry Whitaker' <jwhitaker@hopewellva.gov>
Cc: Rob Churchman (RChurchman@cbh.com) <RChurchman@cbh.com>
Subject: RE: Status of Hopewell 2015 Audited Financial Report and Transmittal form

Good afternoon,

The APA is still awaiting the City's submission of their completed 2015 Transmittal workbook and audited FY15 CAFR. We appreciate you providing an update as to when we can expect to receive this submission, as we need to wrap-up and re-issue our final, amended 2015 Comparative Report.

Thank you,



Rachel N. Reamy, CGFM

Local Government Audit Manager
[Auditor of Public Accounts | Commonwealth of Virginia](#)
101 North 14th Street, 8th Floor | Richmond, VA 23219
(804) 225-3350 ext. 360 | rachel.reamy@apa.virginia.gov

From: Jerry Whitaker [<mailto:jwhitaker@hopewellva.gov>]
Sent: Thursday, September 22, 2016 7:03 PM
To: LocalGovernment <LocalGovernment@apa.virginia.gov>
Subject: RE: Status of Hopewell 2015 Audited Financial Report and Transmittal form

I feel comfortable to say we should have a final by October 31, 2016.

From: LocalGovernment [<mailto:LocalGovernment@apa.virginia.gov>]
Sent: Monday, September 12, 2016 12:02 PM
To: Jerry Whitaker
Cc: RChurchman@cbh.com
Subject: FW: Status of Hopewell 2015 Audited Financial Report and Transmittal form
Importance: High

Good afternoon,

The APA is requesting an update on when we can expect to receive the City's audited FY15 CAFR and the completed 2015 Transmittal form for our comparative report.

We appreciate your assistance.



Rachel N. Reamy, CGFM

Local Government Audit Manager
Auditor of Public Accounts | [Commonwealth of Virginia](http://CommonwealthofVirginia.gov)
101 North 14th Street, 8th Floor | Richmond, VA 23219
(804) 225-3350 ext. 360 | rachel.reamy@apa.virginia.gov

From: Jerry Whitaker [<mailto:jwhitaker@hopewellva.gov>]
Sent: Friday, June 10, 2016 2:21 PM
To: LocalGovernment <LocalGovernment@apa.virginia.gov>
Cc: Rob Churchman <RChurchman@cbh.com>
Subject: RE: Status of Hopewell 2015 Audited Financial Report and Transmittal form

Good afternoon,

We are trying to complete the FY 2015 audit, with all sense of urgency. At this point, we are looking at a July 31st completion date.

Please let me know if you have questions.

Jerry L. Whitaker, CPA, CGFM

Director of Finance
300 North Main Street
Hopewell, Virginia 23860
Phone: (804) 541-2306 Fax: (804) 541-2318

jwhitaker@hopewellva.gov



From: LocalGovernment [<mailto:LocalGovernment@apa.virginia.gov>]
Sent: Tuesday, May 24, 2016 4:36 PM
To: Jerry Whitaker
Cc: Rob Churchman
Subject: Status of Hopewell 2015 Audited Financial Report and Transmittal form

Good Afternoon,
The APA is requesting an update on when the City's FY 15 Audit will be completed. Please also advise on when we can expect to receive a copy of the 2015 Transmittal form for our comparative report, along with a copy of the audited FY15 CAFR.

We appreciate your immediate attention in letting us know the status of the FY15 audit.

Thank you,
Rachel



Rachel N. Reamy, CGFM
Local Government Audit Manager
Auditor of Public Accounts | [Commonwealth of Virginia](http://CommonwealthofVirginia.gov)
101 North 14th Street, 8th Floor | Richmond, VA 23219
(804) 225-3350 ext. 360 | rachel.reamy@apa.virginia.gov

From: Rob Churchman [<mailto:RChurchman@cbh.com>]
Sent: Tuesday, March 08, 2016 6:09 PM

To: Rachel Reamy <rachel.reamy@apa.virginia.gov>

Subject: RE: Update for Final 2015 Audited Financial Report and Transmittal for APA Comparative Report

Certainly, happy to help as we team to serve the Commonwealth and its many localities

Rob Churchman

Partner, Government Services Group

Cherry Bekaert LLP

200 South 10th Street
Suite 900
Richmond, VA 23219
cbh.com

804.673.5733 direct
804.673.5700 phone
804.647.8836 cell
804.673.4290 fax
rchurchman@cbh.com

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From: Rachel Reamy [<mailto:rachel.reamy@apa.virginia.gov>]

Sent: Tuesday, March 08, 2016 6:08 PM

To: Rob Churchman

Subject: RE: Update for Final 2015 Audited Financial Report and Transmittal for APA Comparative Report

Appreciate it, Rob! Have a great evening too.

Rachel

From: Rob Churchman [<mailto:RChurchman@cbh.com>]

Sent: Tuesday, March 08, 2016 6:07 PM

To: Rachel Reamy <rachel.reamy@apa.virginia.gov>

Subject: RE: Update for Final 2015 Audited Financial Report and Transmittal for APA Comparative Report

Great, I will get with him to stress the importance of replying

Have a great evening

Rob.

Rob Churchman

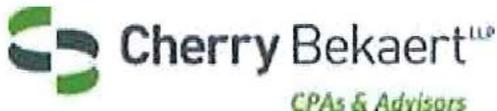
Partner, Government Services Group

Cherry Bekaert LLP

200 South 10th Street
Suite 900
Richmond, VA 23219
cbh.com

804.673.5733 direct
804.673.5700 phone
804.647.8836 cell
804.673.4290 fax
rchurchman@cbh.com

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From: Rachel Reamy [<mailto:rachel.reamy@apa.virginia.gov>]
Sent: Tuesday, March 08, 2016 6:03 PM
To: Rob Churchman
Subject: RE: Update for Final 2015 Audited Financial Report and Transmittal for APA Comparative Report

Yes I did send this to Mr. Whitaker at this email- jwhitaker@hopewellva.gov

Thanks!

From: Rob Churchman [<mailto:RChurchman@cbh.com>]
Sent: Tuesday, March 08, 2016 6:01 PM
To: Rachel Reamy <rachel.reamy@apa.virginia.gov>
Subject: RE: Update for Final 2015 Audited Financial Report and Transmittal for APA Comparative Report

Did you also send your message to Mr. Whitaker in finance – If not, I will send this forward to him.

Thank you and have a great day

Rob.

Rob Churchman
Partner, Government Services Group

Cherry Bekaert LLP
200 South 10th Street
Suite 900
Richmond, VA 23219
cbh.com

804.673.5733 direct
804.673.5700 phone
804.647.8836 cell
804.673.4290 fax
rchurchman@cbh.com

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Rachel Reamy

From: LocalGovernment
Sent: Tuesday, January 24, 2017 4:08 AM
To: 'mhaley@hopewellva.gov'; 'dmuritala@hopewellva.gov'
Cc: 'Rob Churchman'
Subject: APA attached letter- Comparative Report and delay of Locality's FY16 Required Submissions
Attachments: 2016 Delayed submission to APA- Hopewell.pdf

Please see the attached letter regarding the delayed status of your locality's audited FY2016 financial report and final transmittal data form for the APA's 2016 Comparative Report. Please distribute the attached electronic letter to other local government officials as needed.

As detailed in the attached letter, **the Auditor of Public Accounts will need the locality to provide a notification no later than January 30, 2017, regarding the delay in your submission and estimated date we can expect to receive, in order to include as a public record with the published Comparative Report due on February 1, 2017.**

We appreciate your timely response. Please let us know if you have any questions.

Thank you,

Rachel N. Reamy, CGFM

Local Government Audit Manager

[Auditor of Public Accounts](#) | [Commonwealth of Virginia](#)

101 North 14th Street, 8th Floor | Richmond, VA 23219

(804) 225-3350 ext. 360 | rachel.reamy@apa.virginia.gov



COMMONWEALTH of VIRGINIA

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218
(804) 225-3350

January 23, 2017

Mark Haley, City Manager
300 North Main Street
Hopewell, Virginia 23860

Dear Mr. Haley:

We have not received the City's complete transmittal information required for the 2016 Comparative Report. Section 15.2-2510 of the Code of Virginia requires local governments to send their transmittal data forms accompanied by their final audited financial report to this office by November 30. The Code of Virginia requires the Auditor of Public Accounts to publish the Comparative Report by February 1 each year for the General Assembly. While it is the Auditor of Public Accounts' goal to publish the Comparative Report with all localities, we also must meet our statutory deadline. During the report preparation process, we perform analytical procedures to compare information in each locality's audited financial report to the detailed revenue and expenditures transmittal form in order to ensure the reliability of the data in our Comparative Report.

Since the City of Hopewell has not submitted the transmittal form and its audited financial report as of January 20, 2017, we will not include your locality in the initial report we publish on our website on February 1. **Please provide our office written notification describing the delay in not submitting the required information by the November 30 deadline.** We need to receive a written notification to publish as an official public record of your reason for missing the deadline. Additionally, if you do not submit the locality's final audited financial report by February 15, we may not be able to complete our analytical review in time to include your locality in the final, printed report.

Please contact Rachel Reamy at (804) 225-3350, extension 360, if you need additional information or have questions. Please email to rachel.reamy@apa.virginia.gov, **no later than January 30, 2017**, your written response to explain the delay in submitting the required information for the Comparative report.

Sincerely,

Martha S. Mavredes
Auditor of Public Accounts

cc: Dipo Muritala, Acting Finance Director
Robert H. Churchman, Cherry Bekaert, LLP

Rachel Reamy

From: Rachel Reamy
Sent: Thursday, January 26, 2017 3:47 PM
To: 'Dipo H. Muritala'
Subject: RE: Request for an Extension - 2016 Comparative Report Transmittal Information (Hopewell)

Categories: FYI/FFR

Good afternoon Dipo,

Thank you for contacting our office. As the November 30 submission deadline date is a statutory requirement, the APA does not have authority to grant an extension for the required Comparative report transmittal information and audited financial report. However, we do ask for localities to send our office notification regarding their delay. We understand there may be unforeseen challenges that localities often face with meeting the deadline, and we appreciate your keeping us updated on why the City is delayed. If you need additional information on these requirements, we have the following resource available out on our website for the localities reference: [Reporting Requirements and Distribution](#).

In addition to your update provided below, is the City able to give us an estimated time frame of when we can expect to receive the 2016 transmittal submission for our Comparative Report along with the audited CAFR?

Also, do you have an idea of when we might receive the same submissions for the Fiscal year 2015?

We appreciate any further information you can provide.

Thank you,



Rachel N. Reamy, CGFM

Local Government Audit Manager
[Auditor of Public Accounts](#) | [Commonwealth of Virginia](#)
101 North 14th Street, 8th Floor | Richmond, VA 23219
(804) 225-3350 ext. 360 | rachel.reamy@apa.virginia.gov

From: Dipo H. Muritala [mailto:dmuritala@hopewellva.gov]
Sent: Thursday, January 26, 2017 3:27 PM
To: Rachel Reamy <rachel.reamy@apa.virginia.gov>
Subject: Request for an Extension - 2016 Comparative Report (Transmittal Information)

Rachel: This email serves as a request for an extension for the City of Hopewell transmittal information required for the 2016 Comparative Report. The extension is requested because our Finance Director left us late last year and we are in the process of hiring for a new Finance Director. Additionally, we recently implemented a new financial software which proves to be very challenging in getting our financial reports completed timely.

As a result I respectfully requested for an extension of time for this report.

Thanks,

Dipo H. Muritala, CPA

Accounting Manager
City of Hopewell
300 N. Main St
Hopewell, VA 23860
(804) 541-2253
Fax: 804-541-2318
Email: dmuritala@hopewellva.gov

Rachel Reamy

From: Rachel Reamy
Sent: Monday, July 10, 2017 9:32 AM
To: 'Lance Wolff'
Subject: RE: Add'l Follow-up on Status of Hopewell FY2015 audit

Importance: High

Good morning Lance,

I am following-up to request an updated status on when the APA can expect to receive the City's FY2015 CAFR and completed transmittal file for our 2015 Comparative Report.

Thank you,

Rachel N. Reamy, [CGFM](#)

Local Government Audit Manager

[Auditor of Public Accounts](#) | [Commonwealth of Virginia](#)

101 North 14th Street, 8th Floor | Richmond, VA 23219

(804) 225-3350 ext. 360 | rachel.reamy@apa.virginia.gov

From: Lance Wolff [<mailto:lwolff@hopewellva.gov>]
Sent: Wednesday, May 24, 2017 2:50 PM
To: Rachel Reamy <rachel.reamy@apa.virginia.gov>
Subject: Add'l Follow-up on Status of Hopewell FY2015 audit

Ms. Reamy, our auditors, Cherry Bekaert, have indicated that they are only waiting on the last few items I'm working on for them, so completion of the FY 2015 Audit/CAFR for the City of Hopewell, is in the very final stages and should be completed/issued/posted in June. Thanks. LANCE

From: Rachel Reamy [<mailto:rachel.reamy@apa.virginia.gov>]
Sent: Wednesday, May 24, 2017 10:23 AM
To: Lance Wolff
Cc: Staci Henshaw; Martha Mavredes
Subject: Follow-up on Status of Hopewell FY2015 audit

Good morning Mr. Wolff,

I am following up to request an updated status on when you expect to complete and provide the APA the City's audited FY2015 CAFR and the completed transmittal data form for our 2015 comparative report.

We appreciate your assistance.



Rachel N. Reamy, CGFM

Local Government Audit Manager
Auditor of Public Accounts | Commonwealth of Virginia
101 North 14th Street, 8th Floor | Richmond, VA 23219
(804) 225-3350 ext. 360 | rachel.reamy@apa.virginia.gov

From: Rachel Reamy
Sent: Tuesday, April 04, 2017 9:37 AM
To: 'lwolff@hopewellva.gov' <lwolff@hopewellva.gov>
Subject: RE: Audit Services Contract for FY 2017

Good morning Mr. Wolff,
Thank you for reaching out to the APA and keeping us updated on the status of Hopewell's FY2015 and FY2016 audits/CAFRs. We also appreciate your sending us the updated FY16-17 contract with your new auditor, PB Mares.

For your reference, I have included some links below to a couple of resources we have out on our website, which detail the annual reporting requirements to the APA, as well as the Comparative report transmittal process.

[Reporting Requirements and Distribution](#)
[2016 Transmittal Forms Update](#)

We will also be sending out our Annual Survey worksheet soon where we ask the Localities to update any contact information for the City and its auditor, as well as answer some financial/CAFR related questions to help us prepare for our 2017 comparative report process. You will see that email come through from our LocalGovernment@apa.virginia.gov email address at the end of April with further instructions and a link to the 2017 survey, which will be out on our website.

Should you have any questions or need any information as you prepare to submit the audited CAFRs and required transmittal information for the APA's 2015 and 2016 comparative report, please feel free to reach out to me at any time. My contact information is listed below.

Thank you,
Rachel



Rachel N. Reamy, CGFM

Local Government Audit Manager
Auditor of Public Accounts | Commonwealth of Virginia
101 North 14th Street, 8th Floor | Richmond, VA 23219
(804) 225-3350 ext. 360 | rachel.reamy@apa.virginia.gov

From: Staci Henshaw
Sent: Monday, April 03, 2017 4:43 PM
To: Rachel Reamy <rachel.reamy@apa.virginia.gov>
Subject: FW: Audit Services Contract for FY 2017

From: Lance Wolff [<mailto:lwolff@hopewellva.gov>]
Sent: Monday, April 03, 2017 2:14 PM
To: Staci Henshaw <staci.henshaw@apa.virginia.gov>
Subject: Audit Services Contract for FY 2017

Ms. Henshaw, I'm the new Interim Director of Finance for the City of Hopewell, VA. My purpose in contacting you is to ensure that I communicated with you regarding the city's current status and to be responsive to the APA's submission deadline by providing a copy of our audit services contract with PB Mares for FY 2017 (see attached). Regarding our current status, we've just reconciled our beginning fund balances and we have substantially completed our work subject to the overall review of our G/L accounts and the performance of analytical procedures by our current audit firm, Cherry Bekaert. We plan to re-initiate work on the FY 2016 Audit/CAFR, which was begun by PB Mares in 2016, but has since been on hold subject to completion of the FY 2015 Audit/CAFR. We are hopeful that we can complete the FY 2016 Audit/CAFR by late August or early September, so we can start working on the FY 2017 Audit/CAFR immediately thereafter. I know that our situation has been problematic (at best) for most state agencies, as well as federal government agencies, credit rating agencies, various financial institutions, and other interested third parties, and I completely understand why, so all I can say is that the accounting records and the accounting system were a mess. We believe we've sorted out most of the inexplicable and confusing transactions and made the appropriate adjustments and reclassifications needed to properly reflect the beginning fund balances of three funds that were "out-of-balance", current year activities, and current year ending net position. We still have some work to do to complete the audit process and CAFR document for FY 2015, but based on the progress we've been making we should be able to finalize everything by late April. Regarding our current (FY 2017) audit services contract, please advise if you need more than what I've provided as an attachment, so that I can do my best to comply with the APA's April 1st deadline (April 3rd this year, since it's the first business day of April). Please let me know what else you still need from me with regard to the April 1st deadline, and I'll keep you posted. LANCE

From: Riley Ingram
To: [Martha Mavredes](mailto:Martha.Mavredes)
Subject: RE: Hopewell
Date: Thursday, February 09, 2017 1:54:47 PM

Thank you for your email. I will be sure Delegate Ingram has this information.

Pat Bennett
Legislative Assistant
Riley E. Ingram
Delegate, 62nd District
804/698-1062 Richmond Office
804/452-2202 District Office

From: Martha Mavredes [mailto:martha.mavredes@apa.virginia.gov]
Sent: Thursday, February 09, 2017 1:48 PM
To: Riley Ingram <DelRIngram@house.virginia.gov>
Subject: Hopewell

Delegate Ingram,
My Local Government Manager contacted Dipo Muritala today and he indicated we should receive the City's fiscal year 2015 annual report by the end of February. He also stated that the City is hiring a different CPA firm to do the FY2016 audit and that we probably will not receive that report until May or June.

Martha



Martha S. Mavredes CPA, CGMA
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218
804.225.3350 x300



Rachel Reamy

From: Martha Mavredes
Sent: Monday, July 10, 2017 2:58 PM
To: Rachel Reamy
Subject: FW: Update on Hopewell's reporting to APA

fyi

From: Riley Ingram [mailto:DelRIngram@house.virginia.gov]
Sent: Monday, July 10, 2017 2:30 PM
To: Martha Mavredes <martha.mavredes@apa.virginia.gov>
Subject: Re: Update on Hopewell's reporting to APA

Per Delegate Ingram's request, your email was forwarded to Mark Haley, City Manager for Hopewell. Delegate Ingram spoke with Mr. Haley last week about this issue and again today. Delegate Ingram had not received your email prior to speaking with Mr. Haley. He knows how important these reports are and is doing all he can to stress this fact to the City.

Please let Delegate Ingram know if he may assist further.

Have a nice afternoon,
Pat Bennett
Legislative Assistant
Riley E. Ingram, Delegate
804/452-2202 District Office

From: Martha Mavredes <martha.mavredes@apa.virginia.gov>
Sent: Monday, July 10, 2017 1:42:53 PM
To: Riley Ingram
Subject: Update on Hopewell's reporting to APA

Del. Ingram,
During the General Assembly Session at a committee meeting about fiscal stress, we spoke about the status of Hopewell providing my office its 2015 and 2016 annual financial statements and information for our Comparative Report. Hopewell is still delinquent in providing us with the documents that are past due. Here is a timeline of our contact with the City and their ever-changing dates of when to expect the reports:

- APA contacted Mr. Lance Wolfe on April 4, 2017 to send additional information/resources (after he contacted APA regarding new audit contract) and requested status of FY2015 and FY2016. Mr. Wolfe told APA that we would have FY2015 by "late April." Expectation for completion of FY2016 and providing submission to APA is "late August or early September" of 2017.
- APA contacted Mr. Wolfe on May 24, 2017 for additional status of FY2015 since we did not receive by late April. Mr. Wolfe replied that the former audit firm over FY2015 was still working on a few items, and revised timing to provide APA FY2015 reports was by end of June.

- APA contacted Mr. Wolfe on July 10, 2017 to request further follow-up since we have not received FY2015 by end of June 2017.

At this point, we are awaiting Mr. Wolfe's reply but given past history, I do not believe I can place a lot of reliance on what he says. I thought you should be informed of the situation. I will let you know when we finally receive the missing reports.

Martha



Martha S. Mavredes CPA, CGMA

Auditor of Public Accounts

P.O. Box 1295

Richmond, VA 23218

804.225.3350 x300



- Attached PDF "APA correspondence Hopewell CAFR and comparative report"- this will give you the chronology of the email and letter correspondence that APA has had with the City and any responses we have received from the City regarding the delinquency of the FY2015 and FY2016 CAFR and required transmittal data form for our Comparative Report.
- Attached PDF "APA correspondence with Delegate Ingram RE Hopewell"- this is the correspondence that Martha has had with Delegate Ingram back when he first inquired about the status of our receiving the City's required submissions. Delegate Ingram inquired at a Fiscal stress House Appropriation Committee meeting where APA gave a presentation in January 2017, and we followed up accordingly to keep him updated per his request.
- Attached file "Reporting Requirements and Distribution"- this document will give you an overview of the various reporting requirements required by legislation, deadlines, etc., that localities are required to follow when submitting their audited financial report, comparative report transmittal data, and any other annual required reporting. This has been updated for FY2017. We update this document each year and provide it under our [Local Government section](#) of our website. We also annually notify the localities (typically late Sept., early Oct. time frame) in email to remind them of these reporting requirements and reference to this file.
- Attached file "Fiscal Stress process"- this is a document that we put together to summarize the APA's oversight and monitoring process for the Localities, which includes the new requirement for the APA to begin an annual fiscal stress monitoring process based on legislation passed in the 2017 budget session (at Chapter 836, Part 4-8.03).
- Attached file "Fiscal Stress Monitoring Follow-Up Questionnaire"- this is the questionnaire that we discussed that the APA will begin using as part of our fiscal stress monitoring process in accordance with legislation in Chapter 836. While we do not yet have the City's financial statements in order to calculate metrics and ratios for how they fall out in our quantitative data criteria, we suspect that after reviewing answers to a lot of these questions (based on information you have shared) we may begin to see from a qualitative perspective that the City is experiencing some fiscal stress.
- Impact/Consequences from Hopewell's delayed FY2015 and FY2016 reporting:
One of the major consequences that we discussed was the fact that several outside state agencies and legislators/staff rely on the APA's Comparative Report in order to help them prepare analysis for funding and other local government reporting. Accordingly, the APA has not been able to update an amended report for the 2015 Comparative Report due to Hopewell's delinquency in order to provide complete data to these other users of our report/data. One of the groups/users we discussed was Commission on Local Government. They prepare an annual fiscal stress report based on our comparative report data. The CLG's annual computation of fiscal stress is important to the localities because it is utilized by various agencies of the Commonwealth in the distribution of funds to counties and cities. Such agencies include the Compensation Board, Department of Housing and Community Development, and the Department of Environmental Quality. Given Hopewell's 2015 delinquency, CLG has been unable to complete their most recent report, and now it's moving into 2 years being delayed in completing their reports since Hopewell's 2016 reporting is also delayed. I have attached correspondence that CLG sent to our office concerning a letter they sent to the City's Mayor in March 2017 to convey their concerns and impact of the City being delayed with their 2015 reporting. See attached PDF "Commission on Local Govt correspondence."

- Information from the Attorney General's office:
We spoke with our liaison at the Attorney General's office regarding some of the concerns you expressed, and what you included in that PDF file regarding budget/legal questions (Martha was able to forward me the document from when you sent to her on 7/27/17, so I have a copy). He commented that the AG's office has to be very cautious to firmly adhere to Code Section [2.2-505](#), which speaks to the Attorney General and his office only giving advice and rendering an advisory opinion to the specific locality officials included within this Code section. Unfortunately, he says that individual Council members of a local governing body do not fall within this scope. Accordingly, he was unable to offer any guidance or send any further contact information from the AG's office to pass along to you.
- Information for a City Internal Auditor:
We suggest that Council review the Code of Virginia, [Section 15.2- Chapter 11, Powers of Cities and Towns](#). At Section 15.2-1107, the Code speaks to the City/Council being able to establish or change a department, and prescribe the powers and duties of that department, within the framework of the City's charter and law. We are not aware of any Code section that specifically addresses a locality creating an Internal Audit department or position; it would seem that the creation of an Internal Auditor would exist within the locality's own charter.

You may want to look to the City of Richmond's Internal Audit department (as a "sister" city to Hopewell) and see if they can provide you any additional information. I reviewed their website, <http://www.richmondgov.com/Auditor/index.aspx>, which speaks to the Internal Audit office being established by the City of Richmond's Charter.

I also found published guidance from the Institute of Internal Auditors: *Implementing a New Internal Audit Function in the Public Sector*, which may also give you some useful information related to this. You can download the guide from this link-

<https://na.theiia.org/standards-guidance/leading-practices/Pages/Implementing-a-New-Internal-Audit-Function-in-the-Public-Sector.aspx>

- Information about auditing standard for communication between governing body and Auditor:
As part of generally accepted auditing standards that the CPA firm/independent auditor has to follow when performing the financial statement audit of a Virginia locality, the auditor is required to make certain communications with "those charged with governance" (i.e.: the governing body) of the audited entity, in accordance with the AICPA auditing standard "AU-C 260, The Auditor's Communication with Those Charged with Governance.". I believe you mentioned that Hopewell's Council may not have a specific Audit Committee, but perhaps does have a Finance committee. The Chair or members of a Finance Committee are likely the ones that the auditor would have tried to contact for these required communications. I have included a couple of excerpt from this standard to give you an idea of the requirements and types of communication the Auditor should be having discussions with members of City Council at least at the beginning and end of the audit process. I have also attached the entire auditing standard for your reference- see attached PDF: "AU-C 260 complete standard."

Excerpts from AU-C 260:

.08 If the auditor communicates with a subgroup of those charged with governance, such as the audit committee or an individual, the auditor should determine whether the auditor also needs to communicate with the governing body. (Ref: par. .A10—.A12)

.A10 When considering communicating with a subgroup of those charged with governance, the auditor may take into account matters such as

- the respective responsibilities of the subgroup and the governing body.
- the nature of the matter to be communicated.
- relevant legal or regulatory requirements.
- whether the subgroup (a) has the authority to take action regarding the information communicated and (b) can provide further information and explanations the auditor may need.
- whether the auditor is aware of potential conflicts of interest between the subgroup and other members of the governing body.

.A11 When deciding whether there is also a need to communicate information, in full or in summary form, with the governing body, the auditor may be influenced by the auditor's assessment of how effectively and appropriately the subgroup communicates relevant information with the governing body. The auditor may make explicit in the terms of the engagement that the auditor retains the right to communicate directly with the governing body.

.A12 Audit committees (or similar subgroups with different names) exist in many entities. Although the specific authority and functions of audit committees may differ, communication with the audit committee, when one exists, is a key element in the auditor's communication with those charged with governance. Good governance principles suggest that

- the auditor has access to the audit committee as necessary.
- the chair of the audit committee and, when relevant, the other members of the audit committee meet with the auditor periodically.
- the audit committee meets with the auditor without management present at least annually, unless prohibited by law or regulation.

.11 The auditor should communicate with those charged with governance an overview of the planned scope and timing of the audit. (Ref: par. .A18—.A22)

.12 The auditor should communicate with those charged with governance (Ref: par. .A23):

- a. the auditor's views about qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures. When applicable, the auditor should (Ref: par. .A24—.A25)
 - i. explain to those charged with governance why the auditor considers a significant accounting practice that is acceptable under the applicable financial reporting framework not to be most appropriate to the particular circumstances of the entity and
 - ii. determine that those charged with governance are informed about the process used by management in formulating particularly sensitive accounting estimates, including fair value estimates, and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.
- b. significant difficulties, if any, encountered during the audit. (Ref: par. .A26)
- c. disagreements with management, if any. (Ref: par. .A28)
- d. other findings or issues, if any, arising from the audit that are, in the auditor's professional judgment, significant and relevant to those charged with governance regarding their responsibility to oversee the financial reporting process. (Ref: par. .A27)

.A26 Significant difficulties encountered during the audit may include matters such as

- significant delays in management providing required information.

- an unnecessarily brief time within which to complete the audit.
- extensive unexpected effort required to obtain sufficient appropriate audit evidence.
- the unavailability of expected information.
- restrictions imposed on the auditor by management.
- management's unwillingness to provide information about management's plans for dealing with the adverse effects of the conditions or events that lead the auditor to believe there is substantial doubt about the entity's ability to continue as a going concern.

In some circumstances, such difficulties may constitute a scope limitation that leads to a modification of the auditor's opinion.

.14 Unless all of those charged with governance are involved in managing the entity, the auditor also should communicate

- a. material, corrected misstatements that were brought to the attention of management as a result of audit procedures. (Ref: par. .A31)
- b. significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management. (Ref: par. .A32)
- c. the auditor's views about significant matters that were the subject of management's consultations with other accountants on accounting or auditing matters when the auditor is aware that such consultation has occurred.
- d. written representations the auditor is requesting. (Ref: par. .A33)

Checkpoint Contents

Accounting, Audit & Corporate Finance Library

Standards and Regulations

AICPA

Professional Standards

U.S. Auditing Standards-AICPA (Clarified) [AU-C]

AU-C Section 200-299-GENERAL PRINCIPLES AND RESPONSIBILITIES

AU-C Section 260-The Auditor's Communication With Those Charged With Governance

AU-C Section 260

The Auditor's Communication With Those Charged With Governance

Source: SAS No. 122; SAS No. 123; SAS No. 125; SAS No. 128.

[Click here for the Original Pronouncements for:

SAS No. 122: Clarification and Recodification

SAS No. 123: Omnibus Statement on Auditing Standards-2011

SAS No. 125: Alert That Restricts the Use of the Auditor's Written Communication

SAS No. 128: Using the Work of Internal Auditors]

Effective for audits of financial statements for periods ending on or after December 15, 2012.

Introduction

Scope of This Section

.01 This section addresses the auditor's responsibility to communicate with those charged with governance in an audit of financial statements. Although this section applies regardless of an entity's governance structure or size, particular considerations apply when all of those charged with governance are involved in managing an entity. This section does not establish requirements regarding the auditor's communication with an entity's management or owners unless they are also charged with a governance role.

.02 This section is written in the context of an audit of financial statements but may also be applied, adapted as necessary in the circumstances, to audits of other historical financial information when those charged with governance have a responsibility to oversee the preparation and fair presentation of the

other historical financial information.

.03 Recognizing the importance of effective two-way communication in an audit of financial statements, this section provides an overarching framework for the auditor's communication with those charged with governance and identifies some specific matters to be communicated. Additional matters to be communicated are identified in other AU-C sections (see the **exhibit** , "Requirements to Communicate With Those Charged With Governance in Other AU-C Sections". In addition, **section 265** , *Communicating Internal Control Related Matters Identified in an Audit*, establishes specific requirements regarding the communication of significant deficiencies and material weaknesses in internal control the auditor has identified during the audit to those charged with governance. Further matters not required by generally accepted auditing standards (GAAS) may be required to be communicated by agreement with those charged with governance or management or in accordance with external requirements. Nothing in this section precludes the auditor from communicating any other matters to those charged with governance.

Effective Date

.04 This section is effective for audits of financial statements for periods ending on or after December 15, 2012.

Objectives

- .05 The objectives of the auditor are to
- a. communicate clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
 - b. obtain from those charged with governance information relevant to the audit.
 - c. provide those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
 - d. promote effective two-way communication between the auditor and those charged with governance. (Ref: **par. .A1-.A5**)

Definitions

.06 For purposes of GAAS, the following terms have the meanings attributed as follows:

Management. The person(s) with executive responsibility for the conduct of the entity's operations. For some entities, management includes some or all of those charged with governance; for example, executive members of a governance board or an owner-manager.

Those charged with governance. The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process.

Those charged with governance may include management personnel; for example, executive members of a governance board or an owner-manager.

Requirements

Those Charged With Governance

.07 The auditor should determine the appropriate person(s) within the entity's governance structure with whom to communicate. (Ref: **par. .A6-.A9**)

Communication With the Audit Committee or Other Subgroup of Those Charged With Governance

.08 If the auditor communicates with a subgroup of those charged with governance, such as the audit committee or an individual, the auditor should determine whether the auditor also needs to communicate with the governing body. (Ref: **par. .A10-.A12**)

When All of Those Charged With Governance Are Involved in Managing the Entity

.09 In some cases, all of those charged with governance are involved in managing the entity; for example, a small business in which a single owner manages the entity and no one else has a governance role. In these cases, if matters required by this section are communicated with a person(s) with management responsibilities and that person(s) also has governance responsibilities, the matters need not be communicated again with the same person(s) in that person's governance role. These matters are noted in **paragraph .14** . The auditor should, nonetheless, be satisfied that communication with person(s) with management responsibilities adequately informs all of those with whom the auditor would otherwise communicate in their governance capacity.

Matters to Be Communicated

The Auditor's Responsibilities With Regard to the Financial Statement Audit

.10 The auditor should communicate with those charged with governance the auditor's responsibilities with regard to the financial statement audit, including that (Ref: **par. .A13-.A17**)

- a. the auditor is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial

reporting framework.

b. the audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Planned Scope and Timing of the Audit

.11 The auditor should communicate with those charged with governance an overview of the planned scope and timing of the audit. (Ref: par. .A18-.A22)

Significant Findings or Issues From the Audit

.12 The auditor should communicate with those charged with governance (Ref: par. .A23)

- a. the auditor's views about qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures. When applicable, the auditor should (Ref: par. .A24-.A25)
 - i. explain to those charged with governance why the auditor considers a significant accounting practice that is acceptable under the applicable financial reporting framework not to be most appropriate to the particular circumstances of the entity and
 - ii. determine that those charged with governance are informed about the process used by management in formulating particularly sensitive accounting estimates, including fair value estimates, and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.
- b. significant difficulties, if any, encountered during the audit. (Ref: par. .A26)
- c. disagreements with management, if any. (Ref: par. .A28)
- d. other findings or issues, if any, arising from the audit that are, in the auditor's professional judgment, significant and relevant to those charged with governance regarding their responsibility to oversee the financial reporting process. (Ref: par. .A27)

Uncorrected Misstatements

.13 The auditor should communicate with those charged with governance (Ref: par. .A29-.A30)

- a. uncorrected misstatements accumulated by the auditor and the effect that they, individually or in the aggregate, may have on the opinion in the auditor's report. The auditor's communication should identify material uncorrected misstatements individually. The auditor should request that uncorrected misstatements be corrected.
- b. the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

When Not All of Those Charged With Governance Are Involved in Management

.14 Unless all of those charged with governance are involved in managing the entity, the auditor also

should communicate

- a. material, corrected misstatements that were brought to the attention of management as a result of audit procedures. (Ref: par. .A31)
- b. significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management. (Ref: par. .A32)
- c. the auditor's views about significant matters that were the subject of management's consultations with other accountants on accounting or auditing matters when the auditor is aware that such consultation has occurred.
- d. written representations the auditor is requesting. (Ref: par. .A33)

The Communication Process

Establishing the Communication Process

.15 The auditor should communicate with those charged with governance the form, timing, and expected general content of communications. (Ref: par. .A34-.A38)

Forms of Communication

.16 The auditor should communicate in writing with those charged with governance significant findings or issues from the audit (see paragraphs .12-.14) if, in the auditor's professional judgment, oral communication would not be adequate. This communication need not include matters that arose during the course of the audit that were communicated with those charged with governance and satisfactorily resolved. (Ref: par. .A39-.A41)

Restricted Use

.17 When the auditor communicates matters in accordance with this section in writing, the communication is considered a by-product report. ¹ Accordingly, the auditor should indicate in the communication that it is intended solely for the information and use of those charged with governance and, if appropriate, management, and is not intended to be, and should not be, used by anyone other than these specified parties.

¹ Paragraphs .06c and .07 of section 905, *Alert That Restricts the Use of the Auditor's Written Communication*. [Footnote amended, effective for the auditor's written communications related to audits of financial statements for periods ending on or after December 15, 2012, by SAS No. 125.]

Timing of Communications

.18 The auditor should communicate with those charged with governance on a timely basis. (Ref: par.

.A42-.A43)

Adequacy of the Communication Process

.19 The auditor should evaluate whether the two-way communication between the auditor and those charged with governance has been adequate for the purpose of the audit. If it has not, the auditor should evaluate the effect, if any, on the auditor's assessment of the risks of material misstatement and ability to obtain sufficient appropriate audit evidence and should take appropriate action. (Ref: **par. .A44-.A46**)

Documentation

.20 When matters required to be communicated by this section have been communicated orally, the auditor should include them in the audit documentation, including when and to whom they were communicated. **2** When matters have been communicated in writing, the auditor should retain a copy of the communication as part of the audit documentation. (Ref: **par. .A47**)

2 Paragraphs .08-.12 and .A8 of section 230, *Audit Documentation*.

Application and Other Explanatory Material

Objectives

The Role of Communication (Ref: par. .05)

.A1 This section focuses primarily on communications from the auditor to those charged with governance. Nevertheless, effective two-way communication is important in assisting

- the auditor and those charged with governance in understanding matters related to the audit in context and in developing a constructive working relationship. This relationship is developed while maintaining the auditor's independence and objectivity.
- the auditor in obtaining from those charged with governance information relevant to the audit. For example, those charged with governance may assist the auditor in understanding the entity and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events.
- those charged with governance in fulfilling their responsibility to oversee the financial reporting process, thereby reducing the risks of material misstatement of the financial statements.

.A2 Although the auditor is responsible for communicating specific matters in accordance with this section, management also has a responsibility to communicate matters of governance interest to those charged with governance. Communication by the auditor does not relieve management of this

responsibility. Similarly, management's communication of these matters to those charged with governance does not relieve the auditor of the responsibility to also communicate them. However, communication of those matters by management may affect the form or timing of the auditor's communication.

.A3 Clear communication of specific matters required to be communicated by GAAS is an integral part of every audit. However, GAAS do not require the auditor to perform procedures specifically to identify other significant matters to communicate with those charged with governance.

Legal or Regulatory Restrictions on Communicating With Those Charged With Governance (Ref: par. .05)

.A4 Law or regulation may restrict the auditor's communication of certain matters with those charged with governance. For example, law or regulation may specifically prohibit a communication or other action that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act. In some circumstances, potential conflicts between the auditor's obligations of confidentiality and obligations to communicate may be complex. In such cases, the auditor may consider obtaining legal advice.

.A5 In certain circumstances, the auditor may be required to report to a regulatory or enforcement body certain matters that have been communicated with those charged with governance. For example, *Government Auditing Standards* requires auditors to report fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to such parties in certain circumstances.

Those Charged With Governance (Ref: par. .07)

.A6 Governance structures vary by entity, reflecting influences such as size and ownership characteristics. For example:

- In some entities, those charged with governance hold positions (for example, company directors) that are integral parts of the entity's legal structure. For other entities, a body that is not part of the entity is charged with governance, as with some government agencies.
- In some cases, some or all of those charged with governance also have management responsibilities. In others, those charged with governance and management are different people.
- Parties charged with governance of governmental entities may include members or staff of a legislative oversight committee, oversight bodies, or other parties contracting for the audit.

.A7 In most entities, governance is the collective responsibility of a governing body, such as a board of directors; a supervisory board; partners; proprietors; a committee of management; trustees; or equivalent persons. In some smaller entities, however, one person may be charged with governance, such as the owner-manager, when there are no other owners, or a solo trustee. When governance is a collective responsibility, a subgroup, such as an audit committee or even an individual, may be charged with

specific tasks to assist the governing body in meeting its responsibilities.

.A8 Such diversity means that it is not possible for this section to specify for all audits the person(s) with whom the auditor is to communicate particular matters. Also, in some cases, the appropriate person(s) with whom to communicate may not be clearly identifiable from the engagement circumstances. An example of this is entities in which the governance structures are not formally defined, such as some family-owned entities, some not-for-profit organizations, and some government entities. When the appropriate person(s) with whom to communicate is not clearly identifiable, the auditor and the engaging party may need to discuss and agree on the relevant person(s) within the entity's governance structure with whom the auditor will communicate. In deciding with whom to communicate, the auditor's understanding of an entity's governance structure and processes obtained in accordance with **section 315**, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, is relevant. The appropriate person(s) with whom to communicate may vary depending on the matter to be communicated.

.A9 **Section 600**, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, includes specific matters to be communicated by group auditors with those charged with governance. ³ When the entity being audited is a component of a group, the appropriate person(s) with whom to communicate is dependent on the nature of the matter to be communicated and the terms of the engagement.

3 **Paragraphs .45-.48** of section 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*.

Communication With the Audit Committee or Other Subgroup of Those Charged With Governance (Ref: par. .08)

.A10 When considering communicating with a subgroup of those charged with governance, the auditor may take into account matters such as

- the respective responsibilities of the subgroup and the governing body.
- the nature of the matter to be communicated.
- relevant legal or regulatory requirements.
- whether the subgroup (a) has the authority to take action regarding the information communicated and (b) can provide further information and explanations the auditor may need.
- whether the auditor is aware of potential conflicts of interest between the subgroup and other members of the governing body.

.A11 When deciding whether there is also a need to communicate information, in full or in summary form, with the governing body, the auditor may be influenced by the auditor's assessment of how effectively and appropriately the subgroup communicates relevant information with the governing body. The auditor may make explicit in the terms of the engagement that the auditor retains the right to communicate directly with the governing body.

.A12 Audit committees (or similar subgroups with different names) exist in many entities. Although the specific authority and functions of audit committees may differ, communication with the audit committee, when one exists, is a key element in the auditor's communication with those charged with governance. Good governance principles suggest that

- the auditor has access to the audit committee as necessary.
- the chair of the audit committee and, when relevant, the other members of the audit committee meet with the auditor periodically.
- the audit committee meets with the auditor without management present at least annually, unless prohibited by law or regulation.

Matters to Be Communicated

The Auditor's Responsibilities With Regard to the Financial Statement Audit (Ref: par. .10)

.A13 The auditor's responsibilities with regard to the financial statement audit are often included in the engagement letter or other suitable form of written agreement that documents the terms of the engagement. Providing those charged with governance with a copy of that engagement letter or other suitable form of written agreement may be an appropriate way to communicate with them that

- the auditor is responsible for performing the audit in accordance with GAAS and that the audit is designed to obtain reasonable, rather than absolute, assurance about whether the financial statements as a whole are free from material misstatement.
- an audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting.
- the auditor is responsible for communicating significant matters related to the financial statement audit that are, in the auditor's professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. GAAS do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance.
- when applicable, the auditor is also responsible for communicating particular matters required by law or regulation, by agreement with the entity, or by additional requirements applicable to the engagement.

Independence (Ref: par. .10)

.A14 GAAS require independence for all audits. Relevant matters to consider in reaching a conclusion about independence include circumstances or relationships that create threats to auditor independence

and the related safeguards that have been applied to eliminate those threats or reduce them to an acceptable level. Comprehensive material on threats to independence and safeguards, including application to specific situations, is set forth in the AICPA's " **Conceptual Framework for Independence** " (ET sec. 1.210.010).

[Revised, January 2015, to reflect conforming changes necessary due to the issuance of the revised AICPA Code of Professional Conduct, effective December 15, 2014.]

.A15 Although the auditor's report affirms the auditor's independence, in certain situations, the auditor may determine that it is appropriate to communicate with those charged with governance circumstances or relationships (for example, financial interests, business or family relationships, or nonaudit services provided or expected to be provided) that, in the auditor's professional judgment, may reasonably be thought to bear on independence, and to which the auditor gave significant consideration, in reaching the conclusion that independence has not been impaired.

.A16 It may be particularly appropriate to communicate with those charged with governance those circumstances or relationships discussed in **paragraph .A15** in audits of public interest entities. In addition to entities subject to Securities and Exchange Commission reporting requirements, all of the entities described in the definition of public interest entities in **ET section 0.400 , Definitions**, are considered to be public interest entities.

[Revised, January 2015, to reflect conforming changes necessary due to the issuance of the revised AICPA Code of Professional Conduct, effective December 15, 2014.]

.A17 The form and timing of communications regarding independence may be affected by the entity's governance structure and whether a formal subgroup, such as an audit committee, exists. In situations in which all of those charged with governance are involved in managing the entity, the auditor may determine that those charged with governance have been informed of relevant facts regarding the auditor's independence through their management activities or through other means, such as the engagement letter. This is particularly likely when the entity is owner-managed and the auditor's firm has little involvement with the entity beyond a financial statement audit.

Planned Scope and Timing of the Audit (Ref: par. .11)

.A18 Care is required when communicating with those charged with governance about the planned scope and timing of the audit so as not to compromise the effectiveness of the audit, particularly when some or all of those charged with governance are involved in managing the entity. For example, communicating the nature and timing of detailed audit procedures may reduce the effectiveness of those procedures by making them too predictable. Certain factors described in **paragraph .A39** may be relevant in determining the nature and extent of this communication.

.A19 Communication regarding the planned scope and timing of the audit may assist

- those charged with governance to discuss issues of risk and materiality with the auditor;
- those charged with governance to understand better the consequences of the auditor's work and to identify any areas in which they may request the auditor to undertake additional procedures; and
- the auditor to understand better the entity and its environment.

.A20 Matters communicated may include the following:

- How the auditor proposes to address the significant risks of material misstatement, whether due to fraud or error
- The auditor's approach to internal control relevant to the audit including, when applicable, whether the auditor will express an opinion on the effectiveness of internal control over financial reporting
- The application of materiality in the context of an audit, as discussed in **section 320**, *Materiality in Planning and Performing an Audit*
- If the entity has an internal audit function, how the auditor and the internal auditors can work together in a constructive and complementary manner, including any planned use of the work of the internal audit function in obtaining audit evidence and the nature and extent of any planned use of internal auditors to provide direct assistance.

[As amended, effective for audits of financial statements for periods ending on or after December 15, 2014, by SAS No. 128.]

.A21 Other planning matters that may be appropriate to discuss with those charged with governance include

- the views of those charged with governance about the following matters:
 - The appropriate person(s) in the entity's governance structure with whom to communicate
 - The allocation of responsibilities between those charged with governance and management
 - The entity's objectives and strategies and the related business risks that may result in material misstatements
 - Matters those charged with governance consider as warranting particular attention during the audit and any areas for which they request additional procedures to be undertaken
 - Significant communications with regulators
 - Other matters those charged with governance believe are relevant to the audit of the financial statements
- the attitudes, awareness, and actions of those charged with governance concerning (a) the entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control, and (b) the detection or the possibility of fraud.
- the actions of those charged with governance in response to developments in law, accounting standards, corporate governance practices, and other related matters.
- the actions of those charged with governance in response to previous communications with the auditor.

.A22 Although communication with those charged with governance may assist the auditor to plan the scope and timing of the audit, it does not change the auditor's sole responsibility to establish the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

Significant Findings From the Audit (Ref: par. .12)

.A23 The communication of significant findings from the audit may include requesting further information from those charged with governance in order to complete the audit evidence obtained. For example, the auditor may confirm that those charged with governance have the same understanding of the facts and circumstances relevant to specific transactions or events.

Qualitative Aspects of the Entity's Significant Accounting Practices (Ref: par. .12a)

.A24 Financial reporting frameworks ordinarily allow for the entity to make accounting estimates and judgments about accounting policies and financial statement disclosures. Open and constructive communication about qualitative aspects of the entity's significant accounting practices may include comment on the acceptability of significant accounting practices. The **appendix** , "Qualitative Aspects of Accounting Practices," identifies matters that may be included in this communication.

.A25 Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. In communicating with those charged with governance about the process used by management in formulating particularly sensitive accounting estimates, including fair value estimates, and about the basis for the auditor's conclusions regarding the reasonableness of those estimates, the auditor may consider communicating

- the nature of significant assumptions,
- the degree of subjectivity involved in the development of the assumptions, and
- the relative materiality of the items being measured to the financial statements as a whole.

Significant Difficulties Encountered During the Audit (Ref: par. .12b)

.A26 Significant difficulties encountered during the audit may include matters such as

- significant delays in management providing required information.
- an unnecessarily brief time within which to complete the audit.
- extensive unexpected effort required to obtain sufficient appropriate audit evidence.
- the unavailability of expected information.
- restrictions imposed on the auditor by management.

- management's unwillingness to provide information about management's plans for dealing with the adverse effects of the conditions or events that lead the auditor to believe there is substantial doubt about the entity's ability to continue as a going concern.

In some circumstances, such difficulties may constitute a scope limitation that leads to a modification of the auditor's opinion.

Other Findings or Issues

.A27 The auditor may become aware that the entity is subject to an audit requirement that is not encompassed in the terms of the engagement. The communication to those charged with governance that an audit conducted in accordance with GAAS may not satisfy the relevant legal, regulatory, or contractual requirements may be necessary if, for example, an entity engages an auditor to perform an audit of its financial statements in accordance with GAAS and the auditor becomes aware that by law, regulation, or contractual agreement the entity also is required to have an audit performed in accordance with one or more of the following:

- Government Auditing Standards*
- OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*
- Other compliance audit requirements, such as state or local laws or program-specific audits under federal audit guides

Disagreements With Management (Ref: par. .12c)

.A28 Discussions with those charged with governance include any disagreements with management that arose during the audit, regardless of whether they were satisfactorily resolved, about matters that, individually or in the aggregate, could be significant to the entity's financial statements or the auditor's report. Disagreements with management may occasionally arise over, among other things, the application of accounting principles to the entity's specific transactions and events and the basis for management's judgments about accounting estimates. Disagreements may also arise regarding the scope of the audit, disclosures to be included in the entity's financial statements, and the wording of the auditor's report. For purposes of this section, disagreements do not include differences of opinion based on incomplete facts or preliminary information that are later resolved.

Uncorrected Misstatements (Ref: par. .13)

.A29 The auditor is not required to accumulate misstatements that the auditor believes are trivial. **4** When there are a large number of individually immaterial uncorrected misstatements, the auditor may communicate the number and overall monetary effect of the uncorrected misstatements, rather than the details of each individual uncorrected misstatement.

4 Paragraph .05 of section 450, *Evaluation of Misstatements Identified During the Audit*.

.A30 The auditor may discuss with those charged with governance the reasons for, and the implications of, a failure to correct misstatements, taking into account the size and nature of the misstatement judged in the surrounding circumstances, and possible implications with regard to future financial statements.

Corrected Misstatements (Ref: par. .14a)

.A31 The auditor also may communicate corrected immaterial misstatements, such as frequently recurring immaterial misstatements that may indicate a particular bias in the preparation of the financial statements.

Significant Findings or Issues Discussed or Subject to Correspondence With Management (Ref: par. .14b)

.A32 Significant findings or issues discussed, or the subject of correspondence, with management may include matters such as

- business conditions affecting the entity and business plans and strategies that may affect the risks of material misstatement.
- discussions or correspondence in connection with the initial or recurring engagement of the auditor including, among other matters, any discussions or correspondence regarding accounting practices or the application of auditing standards.

Written Representations (Ref: par. .14d)

.A33 The auditor may provide those charged with governance with a copy of management's written representations.

The Communication Process

Establishing the Communication Process (Ref: par. .15)

.A34 Clear communication of the following helps establish the basis for effective two-way communication:

- The auditor's responsibilities (paragraphs .10 and .A12-.A15)
- An overview of the planned scope and timing of the audit (paragraphs .11 and .A16-.A20)
- The expected general content of communications

.A35 Matters that may also contribute to effective two-way communication include discussion of

- the purpose of communications. When the purpose is clear, the auditor and those charged with governance are in a better position to have a mutual understanding of relevant issues and

the expected actions arising from the communication process.

- the form in which communications will be made.
- the person(s) on the audit team and among those charged with governance who will communicate regarding particular matters.
- the auditor's expectation that communication will be two-way and that those charged with governance will communicate with the auditor matters they consider relevant to the audit. Such matters might include (a) strategic decisions that may significantly affect the nature, timing, and extent of audit procedures; (b) the suspicion or the detection of fraud; or (c) concerns with the integrity or competence of senior management.
- the process for taking action and reporting back on matters communicated by the auditor.
- the process for taking action and reporting back on matters communicated by those charged with governance.

.A36 The communication process will vary with the circumstances, including the size and governance structure of the entity, how those charged with governance operate, and the auditor's view of the significance of matters to be communicated. Difficulty in establishing effective two-way communication may indicate that the communication between the auditor and those charged with governance is not adequate for the purpose of the audit (see **paragraph .A44**).

Communication With Management

.A37 Many matters may be discussed with management in the ordinary course of an audit, including matters to be communicated with those charged with governance in accordance with this section. Such discussions recognize management's executive responsibility for the conduct of the entity's operations and, in particular, management's responsibility for the preparation and fair presentation of the financial statements.

.A38 Before communicating matters with those charged with governance, the auditor may discuss them with management unless that is inappropriate. For example, it may not be appropriate to discuss with management questions of management's competence or integrity. In addition to recognizing management's responsibility, these initial discussions may clarify facts and issues and give management an opportunity to provide further information and explanations. Similarly, when the entity has an internal audit function, the auditor may discuss matters with appropriate individuals within the function before communicating with those charged with governance.

[As amended, effective for audits of financial statements for periods ending on or after December 15, 2014, by SAS No. 128.]

Forms of Communication (Ref: par. .16)

.A39 Effective communication may involve formal presentations and written reports as well as less

formal communications, including discussions. The auditor may communicate matters other than those identified in **paragraph .16** either orally or in writing. Written communications may include an engagement letter that is provided to those charged with governance.

.A40 In addition to the significance of a particular matter, the form of communication (for example, whether to communicate orally or in writing, the extent of detail or summarization in the communication, and whether to communicate in a formal or informal manner) may be affected by factors such as

- whether the matter has been satisfactorily resolved.
- whether management has previously communicated the matter.
- the size, operating structure, control environment, and legal structure of the entity being audited.
- legal or regulatory requirements that may require a written communication with those charged with governance.
- the expectations of those charged with governance, including arrangements made for periodic meetings or communications with the auditor.
- the amount of ongoing contact and dialogue the auditor has with those charged with governance.
- whether there have been significant changes in the membership of a governing body.
- in the case of an audit of special purpose financial statements, whether the auditor also audits the entity's general purpose financial statements.

.A41 When a significant matter is discussed with an individual member of those charged with governance, such as the chair of an audit committee, it may be appropriate for the auditor to summarize the matter in later communications so that all of those charged with governance have full and balanced information.

Timing of Communications (Ref: par. .18)

.A42 The appropriate timing for communications will vary with the circumstances of the engagement. Considerations include the significance and nature of the matter and the action expected to be taken by those charged with governance. The auditor may consider communicating

- planning matters early in the audit engagement and, for an initial engagement, as part of the terms of the engagement.
- significant difficulties encountered during the audit as soon as practicable if those charged with governance are able to assist the auditor in overcoming the difficulties or if the difficulties are likely to lead to a modified opinion.

.A43 Other factors that may be relevant to the timing of communications include

- the size, operating structure, control environment, and legal structure of the entity being audited.
- any legal obligation to communicate certain matters within a specified timeframe.

- the expectations of those charged with governance, including arrangements made for periodic meetings or communications with the auditor.
- the time at which the auditor identifies certain matters (for example, timely communication of a material weakness to enable appropriate remedial action to be taken).
- whether the auditor is auditing both general purpose and special purpose financial statements.

Adequacy of the Communication Process (Ref: par. .19)

.A44 The auditor need not design specific procedures to support the evaluation of the two-way communication between the auditor and those charged with governance. Rather, that evaluation may be based on observations resulting from audit procedures performed for other purposes. Such observations may include

- the appropriateness and timeliness of actions taken by those charged with governance in response to matters communicated by the auditor. When significant findings or issues raised in previous communications have not been dealt with effectively, it may be appropriate for the auditor to inquire about why appropriate action has not been taken and to consider raising the point again. This avoids the risk of giving an impression that the auditor is satisfied that the matter has been adequately addressed or is no longer significant.
- the apparent openness of those charged with governance in their communications with the auditor.
- the willingness and capacity of those charged with governance to meet with the auditor without management present.
- the apparent ability of those charged with governance to fully comprehend matters raised by the auditor, such as the extent to which those charged with governance probe issues and question recommendations made to them.
- difficulty in establishing with those charged with governance a mutual understanding of the form, timing, and expected general content of communications.
- when all or some of those charged with governance are involved in managing the entity, their apparent awareness of how matters discussed with the auditor affect their broader governance responsibilities as well as their management responsibilities.

.A45 As discussed in **paragraph .A1** , effective two-way communication assists both the auditor and those charged with governance. Further, **section 315** identifies participation by those charged with governance, including their interaction with the internal audit function (if any) and external auditors, as an element of the entity's control environment. Inadequate two-way communication may indicate an unsatisfactory control environment, which will influence the auditor's assessment of the risks of material misstatements. There is also a risk that the auditor may not have obtained sufficient appropriate audit evidence to form an opinion on the financial statements.

[As amended, effective for audits of financial statements for periods ending on or after December 15,

2014, by SAS No. 128.]

.A46 If the two-way communication between the auditor and those charged with governance is not adequate and the situation cannot be resolved, the auditor may take actions such as the following:

- Modifying the auditor's opinion on the basis of a scope limitation
- Obtaining legal advice about the consequences of different courses of action
- Communicating with third parties (for example, a regulator) or a higher authority in the governance structure that is outside the entity, such as the owners of a business (for example, shareholders in a general meeting), or the responsible government agency for certain governmental entities
- Withdrawing from the engagement when withdrawal is possible under applicable law or regulation

Documentation (Ref: par. .20)

.A47 Documentation of oral communication may include a copy of minutes prepared by the entity as part of the audit documentation if those minutes are an appropriate record of the communication.

Appendix

- Qualitative Aspects of Accounting Practices

.A48 The communication required by **paragraph .12a** and discussed in **paragraphs .A24-.A25** may include such matters as the following:

Accounting Policies

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements (when acceptable alternative accounting policies exist, the communication may include identification of the financial statement items that are affected by the choice of significant policies as well as information on accounting policies used by similar entities)
- The initial selection of, and changes in, significant accounting policies, including the application of new accounting pronouncements (the communication may include the effect of the timing and method of adoption of a change in accounting policy on the current and future earnings of the entity, and the timing of a change in accounting policies with regard to expected new accounting pronouncements)
- The effect of significant accounting policies in controversial or emerging areas (or those unique to an industry, particularly when there is a lack of authoritative material or consensus)

- The effect of the timing of transactions in relation to the period in which they are recorded

Accounting Estimates

- For items for which estimates are significant, issues discussed in **section 540**, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, including the following examples:
 - Management's identification of accounting estimates
 - Management's process for making accounting estimates
 - Risks of material misstatement
 - Indicators of possible management bias
 - Disclosure of estimation uncertainty in the financial statements

Financial Statement Disclosures

- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures (for example, disclosures related to revenue recognition, going concern, subsequent events, and contingency issues)
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements

Related Matters

- The potential effect on the financial statements of significant risks and exposures and uncertainties, such as pending litigation, that are disclosed in the financial statements
- The extent to which the financial statements are affected by unusual transactions, including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements
- The factors affecting asset and liability carrying values, including the entity's bases for determining useful lives assigned to tangible and intangible assets (the communication may explain how factors affecting carrying values were selected and how alternative selections would have affected the financial statements)
- The selective correction of misstatements (for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings)

Exhibit - Requirements to Communicate With Those Charged With Governance in Other AU-C Sections

.A49 Requirements for the auditor to communicate with those charged with governance are included in other AU-C sections. This section does not change the requirements in

- a. **paragraph .17** of section 210, *Terms of Engagement*

- b. **paragraphs .21 , .38c(l) , and .39-.41** of section 240, *Consideration of Fraud in a Financial Statement Audit*
- c. **paragraphs .14 , .18 , and .21-.23** of section 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*
- d. **paragraph .11** of section 265, *Communicating Internal Control Related Matters Identified in an Audit*
- e. **paragraph .27** of section 550, *Related Parties*
- f. **paragraphs .10b-c , .12a , .15a , .17a , and .18** of section 560, *Subsequent Events and Subsequently Discovered Facts*
- g. **paragraph .19** of section 570, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*
- h. **paragraphs .45-.48** of section 600, *Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)*
- i. **paragraphs .12 , .14 , .20 , and .29** of section 705, *Modifications to the Opinion in the Independent Auditor's Report*
- j. **paragraph .09** of section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*
- k. **paragraphs .08 , .12 , .15 , and .18** of section 720, *Other Information in Documents Containing Audited Financial Statements*
- l. **paragraph .06** of section 730, *Required Supplementary Information*
- m. **paragraphs .23-.28** of section 930, *Interim Financial Information*
- n. **paragraphs .36-.37** of section 935, *Compliance Audits*

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Rachel Reamy

From: Rachel Reamy
Sent: Friday, July 28, 2017 3:30 PM
To: Rachel Reamy
Subject: FW: Localities late in submitting CAFRs

From: Barker, Lindsay (DHCD) [<mailto:Lindsay.Barker@dhcd.virginia.gov>]
Sent: Friday, March 24, 2017 3:26 PM
To: Shelton, Bill (DHCD) <Bill.Shelton@dhcd.virginia.gov>; Mavredes, Martha S. <martha.mavredes@cov.virginia.gov>; deSocio, Robyn (SCB) <Robyn.deSocio@scb.virginia.gov>; Paylor, David (DEQ) <David.Paylor@deq.virginia.gov>
Subject: Localities late in submitting CAFRs

Good afternoon,

Please see the attached letter from the Chair of the Commission on Local Government in regards to the delinquency of a locality in submitting their audited financial report in relation to the Commission's Fiscal Stress Report. If you have any questions please feel free to contact our office.

Thank you,

Lindsay Barker

Program Support Specialist
Policy and Legislative Office
600 E. Main Street, Suite 300
Richmond, Virginia 23219

(P) 804-371-7024



Terence R. McAuliffe
Governor

Todd P. Haymore
Secretary of
Commerce and Trade

COMMONWEALTH of VIRGINIA

William C. Shelton
Director

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

March 24, 2017

The Honorable Jackie M. Shornak
Mayor
City of Hopewell
300 North Main Street
Hopewell, VA 23860

Dear Mayor Shornak:

As you know, Va. Code § 15.2-2510 requires that the treasurer or other chief financial officer of each locality submit a detailed statement (i.e., a Comparative Report transmittal file) showing the amount of revenues, expenditures, and fund balances of the locality for the preceding fiscal year, accompanied by the locality's audited financial report (i.e., CAFR), with the Auditor of Public Accounts (APA) on or before November 30 of each year. According to the APA, your locality has failed to meet its statutory responsibility for the submission of the FY 2015 transmittal file, which was due at the end of November, 2015.

Your delinquency in this regard is a matter of serious concern to the Commission on Local Government (CLG) because the information contained in the Comparative Report transmittal file to the APA is critical to the work of the CLG. Without it, we are unable to compute the annual fiscal stress report on Virginia's counties and cities. The annual computation of fiscal stress is important to your locality because it is utilized by various agencies of the Commonwealth in the distribution of funds to counties and cities. Such agencies include the Compensation Board, Department of Housing and Community Development, and the Department of Environmental Quality. As you may know, fiscal stress measures the economic strain of a locality's financial resources and is gauged through a summary statistic combining relative stress scores that are based on the revenue capacity per capita, revenue effort, and median household income of Virginia's 133 counties and cities.

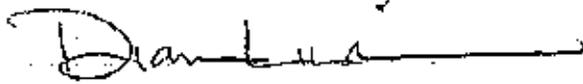
The Commission on Local Government respectfully requests that, if you have not already done so, you submit the information for your locality to the APA no later than **March 31, 2017**, or – at the very least – apprise our staff of the status of your efforts to comply with this reporting requirement.

Thank you for your prompt attention to this matter. For your information, we have enclosed a copy of the most recent fiscal stress index scores. If you have any questions, please feel free to contact Ali Akbor, Senior Public Finance Analyst, at (804) 786-6508 or ali.akbor@dhcd.virginia.gov or David Conny, Local Government Policy Administrator, at (804)371-8010 or david.conny@dhcd.virginia.gov.



Ms. Shornak
March 24, 2017
Page 2

Sincerely,

A handwritten signature in black ink, appearing to read "Diane Linderman", with a long horizontal flourish extending to the right.

Diane Linderman, Chair

Enclosure

cc: Mr. Mark A. Halcy, City Manager, City of Hopewell
Mr. Lance Wolff, Interim Director of Finance, City of Hopewell
Ms. Martha Mavredes, Auditor of Public Accounts
Ms. Robyn M. de Socio, Executive Secretary of Virginia Compensation Board
Mr. Bill Shelton, Director of DHCD
Mr. David K. Paylor, Director of DEQ

2014 Fiscal Stress Scores by Localities

Locality	Stress	Rank	Class
Accomack County	100.35	66	Above Average
Albemarle County	95.92	119	Low
Alleghany County	102.19	36	Above Average
Amelia County	99.14	85	Below Average
Amherst County	100.50	63	Above Average
Appomattox County	100.22	68	Above Average
Arlington County	90.29	132	Low
Augusta County	97.99	96	Below Average
Bath County	91.31	130	Low
Bedford County	97.42	103	Below Average
Bland County	100.79	57	Above Average
Botetourt County	97.60	102	Below Average
Brunswick County	101.22	49	Above Average
Buchanan County	104.01	21	High
Buckingham County	100.40	64	Above Average
Campbell County	100.77	59	Above Average
Caroline County	99.81	74	Below Average
Carroll County	102.48	31	Above Average
Charles City County	99.19	84	Below Average
Charlotte County	101.47	46	Above Average
Chesterfield County	97.86	101	Below Average
Clarke County	95.15	122	Low
Craig County	99.41	79	Below Average
Culpeper County	98.36	92	Below Average
Cumberland County	101.93	40	Above Average
Dickenson County	103.15	27	Above Average
Dinwiddie County	100.23	67	Above Average
Essex County	99.29	82	Below Average
Fairfax County	91.92	129	Low
Fauquier County	93.30	126	Low
Floyd County	99.25	83	Below Average
Fluvanna County	97.92	98	Below Average
Franklin County	98.95	86	Below Average
Frederick County	97.91	99	Below Average
Giles County	101.13	50	Above Average
Gloucester County	98.39	90	Below Average
Goochland County	90.98	131	Low
Grayson County	101.54	43	Above Average
Greene County	98.83	87	Below Average
Greensville County	104.09	20	High
Halifax County	100.59	61	Above Average
Hanover County	95.38	121	Low
Henrico County	98.33	93	Below Average
Henry County	101.99	39	Above Average
Highland County	96.03	117	Low
Isle of Wight County	97.91	100	Below Average
James City County	96.08	116	Low
King and Queen County	99.72	76	Below Average
King George County	96.68	108	Below Average
King William County	98.38	91	Below Average

2014 Fiscal Stress Scores by Localities

Locality	Stress	Rank	Class
Lancaster County	95.96	118	Low
Lee County	102.48	31	Above Average
Loudoun County	92.40	128	Low
Louisa County	96.24	115	Low
Lunenburg County	101.25	47	Above Average
Madison County	97.94	97	Below Average
Mathews County	96.35	113	Below Average
Mecklenburg County	100.91	54	Above Average
Middlesex County	96.70	107	Below Average
Montgomery County	101.54	43	Above Average
Nelson County	97.25	104	Below Average
New Kent County	96.75	106	Below Average
Northampton County	99.94	72	Below Average
Northumberland County	94.73	123	Low
Nottoway County	101.48	45	Above Average
Orange County	98.29	94	Below Average
Page County	100.55	62	Above Average
Patrick County	101.02	51	Above Average
Pittsylvania County	100.37	65	Above Average
Powhatan County	96.53	110	Below Average
Prince Edward County	101.81	42	Above Average
Prince George County	99.71	77	Below Average
Prince William County	96.39	111	Below Average
Pulaski County	101.89	41	Above Average
Rappahannock County	93.91	125	Low
Richmond County	99.38	80	Below Average
Roanoke County	99.74	75	Below Average
Rockbridge County	99.87	73	Below Average
Rockingham County	98.72	88	Below Average
Russell County	102.05	38	Above Average
Scott County	102.80	30	Above Average
Shenandoah County	99.35	81	Below Average
Smyth County	103.37	24	Above Average
Southampton County	100.82	56	Above Average
Spotsylvania County	97.12	105	Below Average
Stafford County	96.37	112	Below Average
Surry County	95.44	120	Low
Sussex County	103.32	25	Above Average
Tazewell County	102.09	37	Above Average
Warren County	98.00	95	Below Average
Washington County	100.02	70	Above Average
Westmoreland County	98.49	89	Below Average
Wise County	101.25	47	Above Average
Wythe County	101.02	51	Above Average
York County	96.65	109	Below Average
Alexandria City	94.25	124	Low
Bristol City	105.50	11	High
Buena Vista City	106.94	2	High
Charlottesville City	102.41	33	Above Average
Chesapeake City	100.09	69	Above Average

2014 Fiscal Stress Scores by Localities

Locality	Stress	Rank	Class
Colonial Heights City	102.28	35	Above Average
Covington City	106.43	5	High
Danville City	104.55	17	High
Emporia City	108.71	1	High
Fairfax City	93.24	127	Low
Falls Church City	89.14	133	Low
Franklin City	105.82	8	High
Fredericksburg City	100.59	60	Above Average
Galax City	106.17	6	High
Hampton City	105.00	14	High
Harrisonburg City	104.37	18	High
Hopewell City	105.79	9	High
Lexington City	104.00	22	High
Lynchburg City	106.05	7	High
Manassas City	100.01	71	Above Average
Manassas Park City	100.95	53	Above Average
Martinsville City	106.44	4	High
Newport News City	104.68	16	High
Norfolk City	105.36	13	High
Norton City	104.93	15	High
Petersburg City	106.80	3	High
Poquoson City	96.35	113	Below Average
Portsmouth City	105.40	12	High
Radford City	105.77	10	High
Richmond City	103.26	26	Above Average
Roanoke City	104.23	19	High
Salem City	102.81	29	Above Average
Staunton City	103.42	23	Above Average
Suffolk City	100.78	58	Above Average
Virginia Beach City	99.46	78	Below Average
Waynesboro City	102.82	28	Above Average
Williamsburg City	100.90	55	Above Average
Winchester City	102.31	34	Above Average

Rank Scores: 1 = Highest Stress, 133 = Lowest Stress

2014 Revenue Capacity per Capita

(Alphabetic Order)

Locality	Revenue Capacity	Rank
Accomack County	\$1,806.34	76
Albemarle County	\$2,687.94	118
Alleghany County	\$1,415.03	40
Amelia County	\$1,630.32	61
Amherst County	\$1,471.60	45
Appomattox County	\$1,504.61	49
Arlington County	\$4,409.01	131
Augusta County	\$1,764.42	72
Bath County	\$5,335.80	133
Bedford County	\$1,929.01	89
Bland County	\$1,501.43	48
Botetourt County	\$1,915.83	85
Brunswick County	\$1,412.42	39
Buchanan County	\$1,615.32	60
Buckingham County	\$1,560.08	56
Campbell County	\$1,379.13	32
Caroline County	\$1,638.44	62
Carroll County	\$1,373.52	31
Charles City County	\$2,012.67	100
Charlotte County	\$1,410.07	38
Chesterfield County	\$1,859.28	81
Clarke County	\$2,591.48	115
Craig County	\$1,523.40	53
Culpeper County	\$1,856.54	80
Cumberland County	\$1,453.50	43
Dickenson County	\$1,490.08	47
Dinwiddie County	\$1,520.00	52
Essex County	\$2,018.31	102
Fairfax County	\$3,298.90	125
Fauquier County	\$2,997.88	121
Floyd County	\$1,694.89	65
Fluvanna County	\$1,839.50	78
Franklin County	\$1,848.60	79
Frederick County	\$1,967.48	93
Giles County	\$1,365.44	30
Gloucester County	\$1,904.79	84
Goochland County	\$3,577.28	128
Grayson County	\$1,488.80	46
Greene County	\$1,675.99	64
Greensville County	\$1,119.57	7
Halifax County	\$1,564.54	59
Hanover County	\$2,272.28	110
Henrico County	\$2,014.42	101
Henry County	\$1,181.91	11
Highland County	\$3,292.49	124
Isle of Wight County	\$2,011.77	99
James City County	\$2,533.52	113
King and Queen County	\$1,935.09	90

2014 Revenue Capacity per Capita

(Alphabetical Order)

Locality	Revenue Capacity	Rank
King George County	\$1,994.52	97
King William County	\$1,749.98	69
Lancaster County	\$3,007.93	122
Lee County	\$852.01	1
Loudoun County	\$2,920.07	120
Louisa County	\$2,628.14	116
Lunenburg County	\$1,198.12	13
Madison County	\$2,170.04	109
Mathews County	\$2,553.56	114
Mecklenburg County	\$1,724.60	67
Middlesex County	\$2,681.61	117
Montgomery County	\$1,332.12	26
Nelson County	\$2,731.07	119
New Kent County	\$2,078.47	105
Northampton County	\$2,288.09	111
Northumberland County	\$3,283.25	123
Nottoway County	\$1,152.38	10
Orange County	\$1,899.30	83
Page County	\$1,505.76	50
Patrick County	\$1,400.69	36
Pittsylvania County	\$1,282.37	21
Powhatan County	\$2,023.09	103
Prince Edward County	\$1,151.66	9
Prince George County	\$1,398.69	35
Prince William County	\$2,087.42	106
Pulaski County	\$1,408.27	37
Rappahannock County	\$3,334.99	126
Richmond County	\$1,888.36	82
Roanoke County	\$1,721.46	66
Rockbridge County	\$1,950.53	92
Rockingham County	\$1,784.38	74
Russell County	\$1,255.89	16
Scott County	\$1,116.27	6
Shenandoah County	\$1,800.10	75
Smyth County	\$1,105.59	5
Southampton County	\$1,516.79	51
Spotsylvania County	\$2,007.75	98
Stafford County	\$1,942.09	91
Surry County	\$3,877.32	130
Sussex County	\$1,297.48	22
Tazewell County	\$1,324.11	25
Warren County	\$1,918.67	86
Washington County	\$1,649.63	63
Westmoreland County	\$1,971.26	94
Wise County	\$1,391.94	34
Wythe County	\$1,562.92	58
York County	\$2,115.91	108
Alexandria City	\$3,452.91	127
Bristol City	\$1,451.91	42
Buena Vista City	\$904.65	3

2014 Revenue Capacity per Capita

Locality	Revenue Capacity	Rank
Charlottesville City	\$1,979.05	95
Chesapeake City	\$1,770.62	73
Colonial Heights City	\$1,925.29	88
Covington City	\$1,275.59	19
Danville City	\$1,231.47	15
Emporia City	\$1,225.24	14
Fairfax City	\$3,789.46	129
Falls Church City	\$4,414.50	132
Franklin City	\$1,336.83	27
Fredericksburg City	\$2,299.87	112
Galax City	\$1,337.08	28
Hampton City	\$1,351.14	29
Harrisonburg City	\$1,256.64	17
Hopewell City	\$1,184.95	12
Lexington City	\$1,307.66	24
Lynchburg City	\$1,307.15	23
Manassas City	\$1,838.13	77
Manassas Park City	\$1,546.91	55
Martinsville City	\$1,147.59	8
Newport News City	\$1,389.76	33
Norfolk City	\$1,279.43	20
Norton City	\$1,535.76	54
Petersburg City	\$1,071.77	4
Poquoson City	\$2,107.14	107
Portsmouth City	\$1,267.22	18
Radford City	\$877.04	2
Richmond City	\$1,759.14	71
Roanoke City	\$1,455.31	44
Salem City	\$1,757.65	70
Staunton City	\$1,420.10	41
Suffolk City	\$1,728.86	68
Virginia Beach City	\$1,922.04	87
Waynesboro City	\$1,561.31	57
Williamsburg City	\$2,031.07	104
Winchester City	\$1,988.75	96

Rank Scores: 1 = Highest Stress, 133 = Lowest Stress

2014 Revenue Effort

Locality	Revenue Effort	Rank
Accomack County	0.7461	90
Albemarle County	0.7583	87
Alleghany County	1.0167	43
Amelia County	0.6660	112
Amherst County	0.7274	99
Appomattox County	0.6942	106
Arlington County	1.0866	40
Augusta County	0.6071	124
Bath County	0.6163	123
Bedford County	0.5292	131
Bland County	0.7710	82
Botetourt County	0.6933	107
Brunswick County	0.7263	100
Buchanan County	1.2506	27
Buckingham County	0.6579	114
Campbell County	0.7830	80
Caroline County	0.8678	60
Carroll County	0.9669	50
Charles City County	0.8024	76
Charlotte County	0.7560	88
Chesterfield County	0.8740	57
Clarke County	0.6255	122
Craig County	0.5855	126
Culpeper County	0.7914	79
Cumberland County	0.9450	52
Dickenson County	1.0350	44
Dinwiddie County	0.8348	68
Essex County	0.8007	77
Fairfax County	0.9846	49
Fauquier County	0.7603	85
Floyd County	0.5746	128
Fluvanna County	0.7323	95
Franklin County	0.6490	115
Frederick County	0.8051	74
Giles County	0.8336	69
Gloucester County	0.7586	86
Goochland County	0.5246	132
Grayson County	0.7285	98
Greene County	0.7930	78
Greensville County	1.1310	36
Halifax County	0.7002	105
Hanover County	0.7289	97
Henrico County	0.8522	63
Henry County	0.7337	94
Highland County	0.5591	129
Isle of Wight County	0.8032	75
James City County	0.8702	58
King and Queen County	0.8136	73
King George County	0.7616	84
King William County	0.7816	81

2014 Revenue Effort

Locality	Revenue Effort	Rank
Lancaster County	0.5475	130
Lee County	0.6304	119
Loudoun County	1.1179	37
Louisa County	0.6778	109
Lunenburg County	0.6463	116
Madison County	0.6791	108
Mathews County	0.6371	118
Mecklenburg County	0.8180	71
Middlesex County	0.6015	125
Montgomery County	0.8561	62
Nelson County	0.7117	103
New Kent County	0.7470	89
Northampton County	0.8446	65
Northumberland County	0.5237	133
Nottoway County	0.6774	110
Orange County	0.7437	91
Page County	0.7640	83
Patrick County	0.6437	117
Pittsylvania County	0.6267	121
Powhatan County	0.7346	93
Prince Edward County	0.7312	96
Prince George County	0.8436	66
Prince William County	1.0078	46
Pulaski County	0.9988	47
Rappahannock County	0.5798	127
Richmond County	0.6605	113
Roanoke County	0.9859	48
Rockbridge County	0.8843	54
Rockingham County	0.7185	102
Russell County	0.8182	70
Scott County	0.8833	55
Shenandoah County	0.6721	111
Smyth County	1.0108	45
Southampton County	0.8476	64
Spotsylvania County	0.8429	67
Stafford County	0.9563	51
Surry County	0.8632	61
Sussex County	1.0817	42
Tazewell County	0.8688	59
Warren County	0.7215	101
Washington County	0.7003	104
Westmoreland County	0.6285	120
Wise County	0.7436	92
Wythe County	0.8158	72
York County	0.8903	53
Alexandria City	1.0864	41
Bristol City	1.4966	13
Buena Vista City	1.6085	4
Charlottesville City	1.3312	20
Chesapeake City	1.1523	35

2014 Revenue Effort

Locality	Revenue Effort	Rank
Colonial Heights City	1.3924	16
Covington City	1.6382	2
Danville City	1.2169	29
Emporia City	1.9904	1
Fairfax City	1.1655	33
Falls Church City	1.1929	32
Franklin City	1.5831	6
Fredericksburg City	1.2125	31
Galax City	1.5589	8
Hampton City	1.5843	5
Harrisonburg City	1.2747	24
Hopewell City	1.5391	11
Lexington City	1.2655	25
Lynchburg City	1.6381	3
Manassas City	1.2623	26
Manassas Park City	1.3265	21
Martinsville City	1.4777	14
Newport News City	1.5547	9
Norfolk City	1.5391	11
Norton City	1.3838	17
Petersburg City	1.5598	7
Poquoson City	0.8811	56
Portsmouth City	1.5484	10
Radford City	1.3093	22
Richmond City	1.3360	19
Roanoke City	1.3697	18
Salem City	1.4513	15
Staunton City	1.2308	28
Suffolk City	1.1655	33
Virginia Beach City	1.1136	38
Waynesboro City	1.2158	30
Williamsburg City	1.0877	39
Winchester City	1.2953	23

Rank Scores: 1 = Highest Stress, 133 = Lowest Stress

2014 Median Household Income

Locality	Median Household Income	Rank
Accomack County	\$38,390	29
Albemarle County	\$67,083	110
Alleghany County	\$45,454	61
Amelia County	\$51,738	83
Amherst County	\$43,998	54
Appomattox County	\$44,397	56
Arlington County	\$107,143	130
Augusta County	\$57,808	91
Bath County	\$43,852	53
Bedford County	\$55,507	88
Bland County	\$42,624	48
Botetourt County	\$63,646	104
Brunswick County	\$37,344	20
Buchanan County	\$32,083	5
Buckingham County	\$38,731	36
Campbell County	\$46,663	69
Caroline County	\$56,099	90
Carroll County	\$38,474	30
Charles City County	\$49,768	80
Charlotte County	\$36,339	16
Chesterfield County	\$72,972	115
Clarke County	\$70,281	112
Craig County	\$46,551	68
Culpeper County	\$62,394	101
Cumberland County	\$41,409	43
Dickenson County	\$32,103	6
Dinwiddie County	\$52,288	84
Essex County	\$48,277	75
Fairfax County	\$110,507	131
Fauquier County	\$89,106	126
Floyd County	\$43,355	51
Fluvanna County	\$64,258	105
Franklin County	\$47,419	71
Frederick County	\$65,485	108
Giles County	\$45,979	64
Gloucester County	\$58,900	93
Goochland County	\$86,610	125
Grayson County	\$31,893	4
Greene County	\$61,762	98
Greensville County	\$36,459	17
Halifax County	\$39,079	37
Hanover County	\$81,940	122
Henrico County	\$62,446	102
Henry County	\$34,842	13
Highland County	\$38,636	35
Isle of Wight County	\$64,350	107
James City County	\$75,926	119
King and Queen County	\$46,331	66
King George County	\$76,206	120
King William County	\$64,305	106

2014 Median Household Income

Locality	Median Household Income	Rank
Lancaster County	\$45,827	62
Lee County	\$31,429	2
Loudoun County	\$122,641	132
Louisa County	\$60,121	95
Lunenburg County	\$37,548	23
Madison County	\$52,513	86
Mathews County	\$58,268	92
Mecklenburg County	\$38,500	31
Middlesex County	\$48,921	79
Montgomery County	\$43,484	52
Nelson County	\$48,076	73
New Kent County	\$72,406	113
Northampton County	\$36,822	19
Northumberland County	\$51,422	82
Nottoway County	\$37,996	26
Orange County	\$59,282	94
Page County	\$44,851	59
Patrick County	\$34,885	14
Pittsylvania County	\$44,207	55
Powhatan County	\$75,539	117
Prince Edward County	\$37,543	22
Prince George County	\$61,792	99
Prince William County	\$91,886	127
Pulaski County	\$46,186	65
Rappahannock County	\$62,800	103
Richmond County	\$42,204	45
Roanoke County	\$61,935	100
Rockbridge County	\$48,497	77
Rockingham County	\$55,798	89
Russell County	\$37,378	21
Scott County	\$36,290	15
Shenandoah County	\$45,430	60
Smyth County	\$37,831	25
Southampton County	\$46,521	67
Spotsylvania County	\$75,714	118
Stafford County	\$92,647	128
Surry County	\$48,707	78
Sussex County	\$37,748	24
Tazewell County	\$38,292	27
Warren County	\$60,714	96
Washington County	\$43,353	50
Westmoreland County	\$48,232	74
Wise County	\$38,528	32
Wythe County	\$41,132	42
York County	\$81,169	121
Alexandria City	\$86,419	124
Bristol City	\$34,099	11
Buena Vista City	\$38,331	28
Charlottesville City	\$45,890	63
Chesapeake City	\$66,625	109

2014 Median Household Income

Locality	Median Household Income	Rank
Colonial Heights City	\$52,355	85
Covington City	\$36,503	18
Danville City	\$33,646	10
Emporia City	\$33,160	8
Fairfax City	\$94,067	129
Falls Church City	\$125,635	133
Franklin City	\$38,583	34
Fredericksburg City	\$51,195	81
Galax City	\$33,182	9
Hampton City	\$47,615	72
Harrisonburg City	\$38,541	33
Hopewell City	\$40,122	39
Lexington City	\$40,829	41
Lynchburg City	\$40,065	38
Manassas City	\$72,510	114
Manassas Park City	\$73,065	116
Martinsville City	\$29,971	1
Newport News City	\$48,440	76
Norfolk City	\$42,567	47
Norton City	\$31,620	3
Petersburg City	\$32,749	7
Poquoson City	\$84,213	123
Portsmouth City	\$43,045	49
Radford City	\$34,267	12
Richmond City	\$42,074	44
Roanoke City	\$40,735	40
Salem City	\$54,195	87
Staunton City	\$42,552	46
Suffolk City	\$60,735	97
Virginia Beach City	\$67,676	111
Waynesboro City	\$44,843	58
Williamsburg City	\$46,954	70
Winchester City	\$44,537	57

Rank Scores: 1 = Highest Stress, 133 = Lowest Stress

Locality Oversight and Monitoring

- Locality contracts for audit by April 1 (Code of Virginia 15.2-2511)
- Locality submits audited CAFR, IC and Compliance Report, and Comparative Report Transmittal form by November 30 (Code of Virginia 15.2-2510)
 - New requirement (HB2003) – The locality’s November 30 submission must include a notarized statement from the chief elected official and the chief administrative officer of the locality that the locality’s audited financial report has been presented to the local governing body.
 - New requirement (Appropriation Act Chapter 836, Item 2 E.) – CPA Firm auditing locality must communicate other internal control deficiencies or other financial matters (which are not communicated in the locality’s audit report) in an official, written communication.
- CPA firm presents audit to local governing body by December 31 (Code of Virginia 15.2-2511)
- APA publishes Comparative Report of Local Government by January 31 (Code of Virginia 15.2-2510)
- New requirements (Appropriation Act Chapter 836, § 4-8.03 LOCAL GOVERNMENTS) –
 - Auditor of Public Accounts to establish a work group to develop criteria for preliminary determination of fiscal distress
 - Plan to use CAFR, Comparative Report transmittal documents, documents on localities websites (budget)
 - Plan to use information provided by VRS, VRA, VPBA and other state and regional authorities concerning later or missed payments.
 - Review data annually, make a preliminary determination of fiscal distress based upon the established criteria
 - Notify the local governing body or chief executive officer of preliminary determination
 - Perform a review considering the following factors:
 - Budget process
 - Debt
 - Short term borrowing
 - Expenses and payables
 - Revenue and receivables
 - Staffing
 - External variables
 - Notify Governor, HAC and SFC chairmen and governing body of specific issues or actions that APA believes need to be addressed by state intervention.
- DPB re-appropriate up to \$500,000 from unspent funds which may be used for the purpose of providing technical assistance
 - If notification made by APA, Governor consult with HAC and SFC Chairmen about a plan for state intervention.
 - Specify the purpose of intervention, estimated duration, anticipated resources (dollars and personnel)



Locality Oversight and Monitoring

- Determine whether staffing from public agencies or private entities or both
- Intervention staff provide periodic reports with scope of issues discovered and recommendations to remediate such issues, and progress on recommendations and other remediation efforts.
- DGS develop a master contract of qualified private sector turnaround specialists with expertise in local government intervention
- Establishment of General Assembly Joint Subcommittee to study local government fiscal stress which shall review: (Appropriation Act, Chapter 836, Item 1, U.1-4)
 - (i) the taxing authorities of local governments, including the disparity between city and county tax authority;
 - (ii) local responsibilities for service delivery of state-mandated or high priority programs,
 - (iii) causes of fiscal stress among local governments,
 - (iv) the current state tax system, including the future of the car tax; and
 - (v) savings opportunities and potential financial incentives and other governmental reforms to encourage increased regional cooperation and consolidation of services.
- 4 meetings in 2017 by November 30, 2017 and 4 meetings in 2018 by November 30, 2018
 - Report to General Assembly and Governor findings and recommendations



ARCH

TYPE

hopewell, Virginia

Full Rating Report

by reserves provide exceptional gap-closing capacity to address a recession scenario, although delayed audits create concerns about the quality of the information provided. The 'AA-' rating also reflects the narrow ...

1 Affirms Hopewell, Virginia's IDR and GOs 'AA-'; Outlook Stable

Rating Action Commentary

Rating=New York:30 March 2017; Fitch Ratings has affirmed the following city of Hopewell, Virginia ratings at 'AA-': Issuer Default Rating ... \$28.4 million general obligation (GO) bonds. The Rating Outlook ...

1 Affirms Hopewell, VA's Sewer System Revenue Bonds at 'AA-'; Outlook Revised to Negative

Rating Action Commentary

Rating=Austin:02 October 2015; Fitch Ratings affirms its 'AA-' rating on the following Hopewell, Virginia (the city) sewer system revenue bonds. 18 million sewer system refunding revenue bonds series 2011 A ...

#FRES Commercial Mortgage Trust 2013-C12 — U.S. CMBS Focus Report

Performance Report

city-level performance remains generally in line with issuance expectations. Delinquent collateral continues to increase; five loans representing 1% of the pool are delinquent. The scheduled amortization for the transaction ...

ANIK 2017-BNK4 (U.S. CMBS)

Presale Report

transaction has higher leverage than other recent Fitch-rated multiborrower transactions. The pool's Fitch DSCR for the trust is lower than the 1.24x for YTD 2017 and 2016. The pool's Fitch LTV for the trust is higher ...

Fells Fargo Commercial Mortgage Trust 2017-RB1 (US CMBS)

Presale Report

pool's Fitch DSCR of 1.19x is lower than the YTD 2017 average of 1.24x but similar to the 2016 average of 1.21x. The pool's Fitch LTV of 105.0% is in line with the YTD 2017 and 2016 averages of 105.4% and 105.2% ...

Levpoint 4Q16: APAC Corporates

Special Report

Ratings published 30 topical comments on various sectors across the Asia-Pacific region in 4Q16, with 15 focusing on China, seven on Indonesia and five on India.

BCMS Mortgage Trust 2017-C1 (US CMBS)

Presale Report

pool has higher leverage than other Fitch-rated multiborrower transactions. The pool's Fitch DSCR of 1.17x is worse than the 2016 average of 1.21x.

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's Places 11 Local Government Obligors On Review Due to Insufficient Financial Information

Global Credit Research - 05 Jul 2017

New York, July 05, 2017 -- Moody's Investors Service has placed the ratings of 11 local government obligors on review with direction uncertain, affecting approximately \$395.7 million of outstanding debt.

RATING RATIONALE

The review is prompted by the lack of sufficient, current financial information. If the information is not received over the next 30 days, we will take appropriate rating action which could include the withdrawal or lowering of the ratings.

Windham (Town of), CT

Effingham County School District, GA

Rabun County School District, GA

Bridgewater-Raynham Regional School District, MA

Raynham Center Water District, MA

Sharon (Town of), MA

West Bridgewater (Town of), MA

Choverly (City of), MD

Hopewell (City of), VA

Manassas Park (City of), VA

Northampton (County of), NC

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody's.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moody's.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moody's.com for additional regulatory disclosures for each credit rating.

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Please see the ratings tab on the issuer/entity page on www.moody's.com for additional regulatory disclosures for each credit rating.

Susanne Siebel
Lead Analyst
PF General Administration
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Thomas Jacobs
Additional Contact
Regional PFG Northeast
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

MOODY'S
INVESTORS SERVICE

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**AUDITOR OF PUBLIC ACCOUNTS
LOCAL GOVERNMENT ANNUAL FINANCIAL REPORTING REQUIREMENTS
AND DISTRIBUTION**

Code of Virginia Reporting Requirements

Section 15.2-2510 of the Code of Virginia requires local governments to submit Comparative Report Transmittal Forms and their final, audited Annual Financial Reports to the Auditor of Public Accounts **no later than November 30** each year. Accordingly, the Auditor of Public Accounts will list localities submitting financial reports and transmittals after this date as delinquent in the Auditor of Public Accounts' Comparative Report footnotes.

The auditor and/or locality should only submit the final audited financial reports to the Auditor of Public Accounts to comply with the statutory November 30 deadline. **The auditor and/or locality should not email or send any "draft" version of the financial report to the Auditor of Public Accounts.** The Auditor of Public Accounts will only accept a final copy of the audited financial report.

The Auditor of Public Accounts requires a written statement from the local government officials stating the reason for submitting any financial reports and transmittals after the November 30 deadline. Local government officials should send this written statement by November 30 to Martha S. Mavredes by e-mail at martha.mavredes@apa.virginia.gov or postal mail to:

Martha S. Mavredes
Auditor of Public Accounts
101 North 14th Street, 8th Floor
P.O. Box 1295
Richmond, VA 23218

The Auditor of Public Accounts will disclose this information in a letter to the Joint Legislative Audit and Review Commission, and in the Comparative Report to include as part of the transmittal letter to the General Assembly.

The Auditor of Public Accounts also reserves the right to exclude those localities that do not meet the November 30 deadline from the Comparative Report. We will place an emphasis on the locality's submission by the deadline and highlight a locality's exclusion from the report.

The Auditor of Public Accounts also has the authority to employ a certified public accounting firm to conduct the audit if we do not receive a locality's financial statement and transmittal forms. The locality must pay all costs associated with the conduct of the audit, regardless of whether the locality hired a firm, but failed to have the audit completed.

Submission to the Auditor of Public Accounts

Local governments must submit their final audited Annual Financial Report and any separately issued written management letter (if applicable) to the Auditor of Public Accounts. **School Boards and other component units that issue separate financial statements are also required to submit these reports to the Auditor of Public Accounts by November 30.** Section 30-140 of the Code of Virginia requires most authorities, boards, and commissions to file an audit report with the Auditor of Public Accounts within 90 days after the close of their fiscal year end.

In accordance with Chapter 836 of the 2017 Acts of Assembly, Item 2.E., any auditor communication related to other internal control deficiencies and/or financial matters that are not included in the internal control report but merit the attention of locality management and the governing body (commonly referred to as a "management letter") must be made in the form of official, written communication; this communication cannot be made orally. The Auditor of Public Accounts publishes on the APA website, along with the locality's annual financial report, any written Management letters separately issued to the locality. Accordingly, the locality and auditor should ensure that sensitive/FOIA exempt information (for example FOIA exempt information related to an internal control weakness in information systems) has been redacted from the written Management letter submitted to the APA.

Further, in accordance with Section 15.2-2510 of the Code of Virginia (amended during the 2017 General Assembly session), the locality's submission to the Auditor of Public Accounts should now include a notarized statement from the chief elected official and the chief administrative officer of the locality stating that the locality's audited financial report has been presented to the local governing body. The local government official must submit this notarized statement to the Auditor of Public Accounts along with the submission of the final, audited financial report, or as soon as the results of the audit have been presented to the local governing body. The applicable local government official must submit this notarized statement to the Auditor of Public Accounts; this submission should not be delegated to the locality's auditor. The APA prefers to receive an electronic submission of the notarized statement, e-mailed to localgovernment@apa.virginia.gov; the locality may also submit a printed letter via postal mail to the address shown below.

The locality may refer to a template statement provided by the Auditor of Public Accounts as a resource to assist in preparation of this notarized statement. This template is located on the Auditor of Public Account's website.

[http://www.apa.virginia.gov/data/download/local_government/guidelines/Locality Notarized Statement template.docx](http://www.apa.virginia.gov/data/download/local_government/guidelines/Locality%20Notarized%20Statement%20template.docx)

The Auditor of Public Accounts **prefers to only receive an electronic copy of the locality's audited financial reports.** You should email electronic versions of the Annual Financial Report to localgovernment@apa.virginia.gov; however, the email size must be less than 10MB. For larger files, you may be able to compress to a smaller size by zipping or removing the graphic covers. Additionally, you may contact the Local Government Manager, Rachel Reamy, to inquire about other available methods for submitting the required reports (i.e.: file sharing, website links to reports, etc.), if the files exceed the email 10MB size limit. Otherwise, you may copy files that are larger than 10MB to a disk and mail to the address below.

If localities submit only printed reports, they should mail two copies to:

Auditor of Public Accounts
Attn: Rachel Reamy, Audit Manager
101 North 14th Street, 8th Floor
P.O. Box 1295
Richmond, VA 23218

Comparative Report transmittal preparers should email the transmittal file and Auditor's Report on Agreed-Upon Procedures to localgovernment@apa.virginia.gov. For multi-locality transmittal preparers, only attach one transmit file to each separate e-mail. Please do not mail the printed transmittal forms; the Auditor of Public Accounts will only accept an electronic transmittal form.

Submission to State Agency for State Compliance Requirements

The Auditor of Public Accounts' Specifications for Audits of Counties, Cities, and Towns requires auditors to submit a copy of their audit report to state agencies if the report indicates noncompliance with state requirements. Appropriate contact information is available on the Auditor of Public Accounts' website at the document, [State Agency Contacts](#). Localities should contact individual state agencies for their policy on electronically submitted reports.

Stormwater Utility Reporting Requirements

In accordance with the amended budget bill Chapter 836 of the 2017 Acts of Assembly (Item 2D), each locality establishing a utility or enacting a system of service charges to support a local stormwater management program pursuant to § 15.2-2114, Code of Virginia, is required to provide to the Auditor of Public Accounts, by October 1 of each year, in a format specified by the Auditor of Public Accounts, a report as to each program funded by these fees and the expected nutrient and sediment reductions for each of these programs. This reporting was previously made to the Department of Environmental Quality. Effective for the October 1, 2017 reporting, the Auditor of Public Accounts will provide the localities an annual report template and publish this template on the Auditor of Public Account's website,

http://www.apa.virginia.gov/data/download/local_government/guidelines/Locality_Stormwater_UTILITY_Reporting_Template.docx

Refer to additional information at Chapter 2.4 of the Uniform Financial Reporting Manual.

Reporting Requirements for Suspected Fraud

If the local government discovers circumstances that suggest a reasonable possibility that a fraudulent transaction has occurred involving funds or property under the control of a local government constitutional officer, and an officer or employee of the local government may be involved, the local government official must report the circumstance to the Auditor of Public Accounts, the State Inspector General, and the Superintendent of State Police in accordance with Section 30-138 of the [Code of Virginia](#). The reporting should be made in writing (either via postal mail or email) and should be done when the local government initially determines there may be a problem. Send all notifications to Martha Mavredes, the Auditor of Public Accounts, martha.mavredes@apa.virginia.gov.

Federal Uniform Guidance Reporting Requirements

FAC Data Collection Form and Reporting Package

Federal reporting requirements under the Uniform Guidance (UG), Subpart F-Section 200.512(a)-(d) requires local governments (auditees) to submit a data collection form and the reporting package to the Federal Audit Clearinghouse (FAC) regarding their audit. The reporting package information submitted to the FAC is available for public inspection; therefore, local governments and their auditors must ensure that their respective parts of the reporting package **do not include protected personally identifiable information.**

Information on the data collection form and related instructions can be obtained from the Federal Audit Clearinghouse's web page at <https://harvester.census.gov/facweb> or by calling (800) 253-0696.

In accordance with the UG, Subpart F-Section 200.512(c), the reporting package submission requirement includes the following:

- Financial statements and schedule of expenditures of Federal awards (refer to UG §200.510(a)-(b))
- Summary schedule of prior audit findings (refer to UG §200.511(b)), as applicable
- Auditor's report(s) (refer to UG §200.515)
- Corrective action plan (refer to UG §200.511(c)), as applicable

Management Letters

The UG, Subpart F-Section 200.512(e), requires local governments to submit a copy of any auditor issued management letter upon request by the pass-through entity or Federal agency.

Other Disclosures

The UG, Subpart B-Section 200.113, requires that local governments must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. In addition, local governments that have received a Federal award are required to report certain civil, criminal, or administrative proceedings to the System for Award Management (SAM). Failure to make required disclosures can result in any of the remedies described in UG Subpart D-Section 200.338, including suspension or debarment.

Other Reporting

Submission to Surety

Counties and cities must send one copy of their final Annual Financial Report directly to the surety. The surety's address is:

Marisa Homme Thielen, Director
Aon Surety
1120 20th Street, NW
Suite 600
Washington, DC 20036

Localities should contact the Surety for their policy on electronically submitted reports. Ms. Thielen's contact information: Phone-202-862-5394; Email- marisa.thielen@aon.com.

State Disbursements Data

As a reminder, the State fully transitioned to the new Cardinal accounting system effective for fiscal year 2017. Localities should refer to the all-inclusive 2017 Cardinal State Disbursement report to review transactions included by quarters on individual tabs within the Excel file. Localities can filter by their FIPS code and Vendor name data fields within the data in order to drill down to their applicable disbursement transactions. The fiscal year end files are available at the APA Website, Local Government page at the [State Disbursement Reports](#) section.

The Auditor of Public Accounts obtains this data directly from the Commonwealth's general ledger accounting system. Any questions regarding payments from specific state agencies should be addressed to the state agency contact person listed for state disbursements in the [State Agency Contacts](#) file on the Auditor of Public Accounts' website.

MINUTES
Regular Meeting
Commission on Local Government
10:00 a.m., January 10, 2017
Main Street Centre
Conference Room 101

Members Present

Diane M. Linderman, Chair
Kimble Reynolds, Jr., Vice-Chair
Bruce C. Goodson
Victoria L. Hull

Members Absent

Staff Present

J. David Conmy, Local Government Policy Administrator
Ali Akbor, Senior Public Finance Analyst
Kristen Dahlman, Senior Policy Analyst
Lindsay Barker, Program Support Specialist

Call to Order

Commission Chair, Victoria L. Hull, called the meeting to order at 10:00 a.m.

I. Election of Officers for 2017

The floor was opened for nominations for the election of officers for 2017. Mr. Bruce Goodson nominated Ms. Diane Linderman for Chair, and the Commission unanimously elected Ms. Linderman as Chair for 2017. Mr. Goodson also nominated Mr. Kimble Reynolds for Vice-Chair, and the Commission unanimously elected Mr. Reynolds as Vice-Chair for 2017. Ms. Linderman thanked Ms. Hull for her leadership over the past year as Chair.

II. Administration

A. Approval of Minutes of the Regular Meeting on September 13, 2016

A motion was made by Ms. Hull and seconded by Mr. Goodson to approve the minutes; the motion was unanimously approved.

B. Public Comment Period

The Chair opened the floor to receive comments from the public; no one appeared to testify before the Commission for comment.

Minutes

Regular Meeting

10:00 a.m., January 10, 2017

Page 2

C. Presentation of Financial Statement for December 2016

Referencing an internally produced financial statement that encompassed expenditures through the end of December 2016 (one half of the fiscal year), Mr. Conmy stated that the Commission is 3.5% over budget. Mr. Conmy assured the Commission that this trend will likely even out over the course of the fiscal year.

D. Policy Administrator's report

Mr. Conmy shared with the Commissioners that there have been discussions with the Secretary of the Commonwealth's office regarding the vacant Commissioner seat. Mr. John Stirrup has requested re-appointment but an appointment has not yet been made. Mr. Conmy highlighted some of the Governor's budget amendments that included: drawing from the Rainy Day Fund, across the board agency cuts, and higher education cuts. As part of the across the board agency cuts; some Department of Housing and Community Development (DHCD) programs included the Enterprise Zone, Go Virginia, and Broadband. The Commission on Local Government was not affected by any budget reductions.

Mr. Conmy and Mr. Ali Akbar have been involved with initial planning meetings on potential legislation for fiscal stress and an early warning fiscal detection system. They have also been invited to testify in front of the Senate Finance and House Appropriations Committees. Several staff attended the Governor's Housing Conference in November held in Roanoke, Virginia. Ms. Kristen Dahman presented to the Virginia Housing Commission about cash proffers in December, which is becoming an annual presentation, upon release of the cash proffer report. Additionally, Mr. Conmy was invited to speak at the Virginia Association of Counties (VACo) County Chair's Forum in February.

Mr. Conmy reviewed several news articles of interest with the Commission, including:

- Potential legislation for Chesapeake charter amendment to allow special tax districts for schools and to remove 2/3 landowner approval requirement for special tax district approval
- A light rail referendum in Virginia Beach that overturned previous efforts to connect Norfolk's Tide System
- The Augusta County courthouse referendum, courthouse will remain in Staunton
- AirBNB local ordinance work in Blacksburg
- Boundary line adjustment in Elkton for economic development project
- Bristol's grant application to assist with road work needs for The Falls Project
- Petersburg's ability to get loan approval – will be used for operational costs
- Impacts of the cash proffer legislation in the Richmond area
- Boundary line adjustment occurring in Blacksburg for condominium development

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III. Upcoming Commission Review

a. Staff Update

Mr. Conmy stated that on November 30, 2016, the Commission received a submission requesting it to review and issue findings on a proposed economic growth sharing agreement between the City of Covington and Alleghany County. The agreement was negotiated pursuant to the Code of Virginia §15.2-1301. As required by 1VAC50-20-382 AND 1VAC50-20-612 of the Virginia Administrative Code, the submission included:

- (1) A joint notice by the City of Covington and Alleghany County of a proposed economic growth sharing agreement,
- (2) A copy of the proposed agreement, as well as data and exhibits supporting the agreement,
- (3) Resolutions adopted by the governing bodies of both localities requesting the Commission review the agreement and stating their intent to adopt the agreement subsequent to the Commission's review,
- (4) Information on the designated contact person for each locality for communication with the Commission regarding the review of the agreement, and
- (5) Indication that copies of the notice, the proposed economic growth sharing agreement, and an annotated listing of all documents, exhibits, and other materials submitted to the Commission in support of the agreement were mailed to each of the local governments contiguous to or sharing functions, revenue, or tax resources with the City and the County.

Mr. Conmy advised the Commission that they are directed by law to investigate, analyze, and make findings of fact as to the probable effect on the people residing in any area of the Commonwealth of any proposed action in that area to enter into economic growth-sharing agreements among localities. Historically, the Commission has only reviewed one other case in 2009 that was similar in nature, an economic growth sharing agreement between Montgomery County and the Town of Christiansburg.

Mr. Conmy presented three options to review the case. Option one would be to review the submission as is, since no public hearing is required by code for such growth sharing agreements. Options two and three outlined a timeline that is followed by all other cases reviewed by the Commission, which includes a site visit, oral presentations, and a public hearing with the report being submitted in either May or June, respectively. Mr. Conmy introduced the representatives from the City Covington and Alleghany County and invited them to present the case submitted to the Commission for review.

Mr. Mike Lockaby presented a map and described the two localities geography, explaining that there is a shortage of flat land, approximately 3% of the total land area. Paper, managed forestry, and trucking are the three main economic sectors with paper being the biggest economic driver. Another issue is that the localities lack shovel-ready sites. Most of the sites are brownfields where the site itself needs to be remediated before it is ready to be developed. Mr. Lockaby explained that the proposed agreement would allow both the city and the county to prepare these sites for development by applying for a grant

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that would conduct a site study to identify potential sites and have the future revenue split between the localities. Mr. Lockaby cited that the memorandum of understanding (MOU) is not legally binding but gives the option for the two localities to combine resources to develop shovel-ready sites. After the sites were rehabilitated, performance agreements would be made between local Industrial development authorities and prospected developers. Mr. Lockaby expressed that since a case review process of individual sites is lengthy, the localities want to set up an agreement to make agreements on a case by case basis.

Mr. Reynolds questioned if some of the flat land fell within the towns of Clifton Forge and Iron Gate and whether or not they should be included as affected parties in the agreement. Mr. Lockaby explained that both towns are tentatively in favor and they both have the power to veto any sites located within their boundaries. Mr. Jonathan Lanford, County Administrator for Allegheny, added that the towns were invited to participate but deferred to the county for representation due to budget and staff constraints. Mr. Reynolds also questioned since the populations were different, would an even split of revenue be politically feasible. Mr. Lanford explained that this is an option to help develop sites with both localities designating money in their budget for site development and of the total cost, any percent of money that is given for a specific site, that percentage of revenue generated will be returned to the respective locality.

Ms. Hull asked for an example of when the localities have lost a development prospect because of the issues presented. Marla Akridge, Executive Director of the Allegheny Highlands Economic Development Corporation, stated that it occurs frequently because developers are discouraged by the lack of shovel-ready sites in the area which would increase their cost for relocation.

Both Mr. Bruce Goodson and Mr. Reynolds expressed concern over the legality of reviewing the case. Mr. Conmy stated that staff had sought counsel from the Attorney General's office and based on what is outlined in law, the Commission can proceed with the review of the case. After some further discussion regarding the towns, Mr. Reynolds and Mr. Conmy asked that Mr. Lockaby seek a formal opinion from the Office of the Attorney General to see whether or not the towns would need to be included in the agreement for the agreement to be legally valid. Mr. Conmy also stated that the Commission can proceed with the review of the case while the formal opinion from the Office of the Attorney General is processed.

Ms. Linderman questioned why a fail-safe clause was not included in the MOU. Mr. Lockaby stated that the MOU does not contain term limits but each performance agreement could have time constraints. Mr. Lanford added that the idea behind the agreement is that once you've invested money in the site you would not want to cap the return by setting a time constraint. Mr. Lockaby also reiterated that this agreement was for larger regional scale projects and would not prevent smaller businesses from coming to either locality or be held to the agreement.

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b. **Commission Deliberation and Action**

Ms. Hull recommended that the Commission should follow the outline as prescribed in other cases and conduct a site visit in March to have a report ready before the localities have to adopt a budget for fiscal year 2018. Mr. Goodson made a motion to follow the timeline of option one of reviewing the case which would have the Commission submitting questions to the localities by February 7th, Answers from the localities submitted by March 7th, a regular meeting of the Commission, site visit, and public hearing on March 13 - 14th, closing of the record March 27th, and the Commission adopting the report in May. The motion was properly seconded and approved.

IV. Fiscal Stress Report for 2014/2015

Mr. Akbor updated the Commission that three cities still have not submitted their Local Government Comparative Reports to the Auditor of Public Accounts (APA): Richmond, Hopewell, and Manassas Park. Mr. Akbor hopes that the information will be submitted in time for the March Commission meeting.

V. 2017 General Assembly Session

a. **Preliminary Staff Comment**

Mr. Conmy Presented the timeline for this year's short session. As of the meeting, staff had completed 32 Legislative Action Summaries for bills that had been assigned to DHCD.

b. **Fiscal Impact Analyses**

Mr. Akbor stated that this year's fiscal impact analyses are underway and there was an increase in the number of volunteers. This year there are 38 volunteers with 18 new volunteers. Mr. Akbor attributes this to removing the policy of just utilizing localities and seeking volunteers from other organizations, such as Planning District Commissions.

c. **Bills of Interest**

Ms. Dahlman presented a handout that included an overview of bills that could be of interest to the Commission that were prefiled as of last week. This included legislation on issues of public safety, compensation/benefits, fiscal, land use/local issues, and FOIA/COIA/ethics.

VI. Governor's Task Force for Local Government Mandate Review

Mr. Conmy presented to the Commissioners the Interim Report to the Governor submitted by the Task Force, which was high level in nature. The Governor's budget amendments essentially left localities unharmed. The Task Force will meet again after session but before the reconvened session.

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VII. Annexation Study

Mr. Conmy advised that as of now there is a conference call tentatively scheduled in February with the stakeholders, but could potentially be moved due to the impending case. Mr. Akbor and Mr. Conmy are working on a database of state mandated services with the data collected from APA. Mr. Akbor added that this has proven difficult since not all data is available for every locality, especially in instances when localities share costs. Ms. Linderman advised that if a conference call was not held to at least communicate with the stakeholders to keep them engaged.

VIII. Periodic Review of Commission on Local Government Regulations

Mr. Conmy stated that every four years the Commission is required to review the regulations. Due to the impending case, staff suggested taking up this item at the July meeting, where staff will present a summary of the regulations, and any changes can be discussed and proposed at that time or later.

IX. Other

Ms. Linderman asked was there any other business for the Commission to discuss. Ms. Hull suggested relaying the importance to the Governor of appointing a Commissioner since a case has been presented to the Commission for review.

X. Schedule of Regular Meetings

Ms. Linderman noted that the next meeting would be held on March 14, 2017, with the location to be determined since it will be held as part of the Commission's review of the economic growth sharing agreement between the City of Covington and Alleghany County.

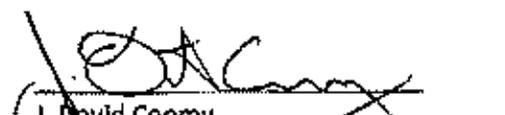
XI. Upcoming Events of Interest

Ms. Linderman reviewed upcoming dates and events of interest for the Commission.

XII. Adjournment

By consensus of the Commission, Ms. Linderman called the meeting adjourned at 12:06 p.m.


Diane Linderman
Chair


J. David Conmy
Local Government Policy Administrator

MINUTES
Regular Meeting
Commission on Local Government
10:00 a.m., May 9, 2017
Virginia Housing Center
Board Room

Members Present

Diane M. Linderman, Chair
Kimble Reynolds, Jr., Vice-Chair
R. Michael Amyx
Bruce C. Goodson
Victoria L. Hull

Members Absent

Staff Present

J. David Conmy, Local Government Policy Administrator
Ali Akbor, Senior Public Finance Analyst
Kristen Dahlman, Senior Policy Analyst
Lindsay Barker, Program Support Specialist

Call to Order

The Commission on Local Government (CLG) Chair, Ms. Diane M. Linderman, called the regular meeting to order at 10:04 a.m. Ms. Linderman also took this time to introduce the newest member of the Commission, Mr. Mike Amyx, who shared additional remarks on his familiarity with the Commission's work.

I. Administration

A. Approval of Minutes of Oral Presentations and Public Hearing on March 13, 2017; and the Regular Meeting on March 14, 2017

Ms. Vickie Hull had one correction on page two of the regular meeting minutes to restructure a sentence. Ms. Hull then made a motion to approve the regular minutes with an amendment and to approve the minutes from the oral presentations and the public hearing in March. The motion was seconded by Mr. Bruce Goodson to approve the minutes; the motion was unanimously approved.

B. Public Comment Period

Ms. Linderman opened the floor to receive comments from the public in attendance. Mr. Erik Johnston, Chief Deputy Director of the Virginia Department of Housing and Community Development (DHCD), came to the meeting to introduce himself to the Commission in his newly appointed role within the agency. No additional comments from the public were received; the public comment period was then closed.

C. Presentation of Financial Statement for February 2017

Referencing an internally produced financial statement that encompassed expenditures through the end of April 2017, Mr. David Conmy stated that the report represents 75% of FY 2017 and that the Commission is trending 10% over budget. Mr. Conmy said that based on his discussion with the fiscal office, the Commission will end with a balanced budget. There was discussion on particular line items and the Commission requested staff to seek clarification on a few budget items. Ms. Linderman questioned would there be a new budget for the upcoming fiscal year. Mr. Conmy responded that since funding levels were not affected, there would not be a new budget until the next biennium.

D. Policy Administrator's report

Mr. Conmy shared that staff has been attending workgroups with several stakeholders about early warning detection of local government fiscal distress. Staff will also be presenting to the Joint Subcommittee on Local Government Fiscal Stress on June 15th. Mr. Conmy shared that staff helped facilitate the first GO Virginia Orientation Conference with approximately 300 attendees from across the state, including members of the Regional Councils, economic development professionals, and members of the Legislature. Staff also received questions from a constituent in reference to the Charlottesville-Albemarle Revenue Sharing Agreement. In regards to potential cases, staff received a phone call from a county attorney regarding the possibility of using the Voluntary Settlement Agreement provisions to address a unique local issue. Such inquiry was for informational purposes and no case regarding such a topic has yet to be more formally discussed. Mr. Conmy then reviewed several news articles of interest with the Commission.

II. Report on the City of Covington – Alleghany County Voluntary Economic Growth-Sharing Agreement

A. Staff Presentation

Staff presented an overview of the report on the City of Covington – Alleghany County Voluntary Economic Growth-Sharing Agreement to the Commission. It was included in the report that staff followed a review schedule to align with other mandatory reviews of cases, as done in the past, even though it was not required by statute. Staff also noted that this review of the case was under the assumption that the agreement complies with all other statutory standards.

Staff concluded that the Commission is supportive of the agreement and commends the localities for instituting an alternative for revenue sharing. Staff also made a small number of recommendations to include: ensuring that base value tax is defined, including a mediation provision, and removing the provision of records to be sent to the Commission.

B. Commission Deliberation and Action

The Commission members had minor grammatical suggestions but were overall pleased with the outcome of the report. Ms. Hull made a motion to approve the report with discussed changes and Mr. Kimble Reynolds

seconded the motion. There was a 4-0-1 vote to approve the report with Mr. Amyx abstaining, since he was not present for the regular and special meetings of the Commission, the site visit to the localities, or the public hearing and oral presentations.

III. Fiscal Stress Report for 2014/2015

Mr. Ali Akbor updated the Commission that the City of Hopewell was still delinquent in submitting their financial report to the Auditor of Public Accounts (APA). Based on action taken at the last meeting, staff compiled and sent a letter on March 24th to the city about the negative impact of their delay in submitting their financial statement. After some discussion, Ms. Linderman proposed scheduling a conference call with herself, staff, and the city to see when they would be submitting to the APA; the commission members unanimously agreed.

IV. 2017 General Assembly Session – Reconvened Session

Mr. Conmy gave an update from the reconvened session of budget outcomes that affect DHCD programs and two items of interest to the Commission. As mentioned previously, the Commission has been included in a workgroup convened to help develop an early warning detection system for fiscally distressed localities. This workgroup also includes stakeholders from a variety of state agencies and has included guests such as representatives from the PEW Charitable Trusts, who have provided nationwide reports on state monitoring of local fiscal stress. Such a system would be organized so that the APA would notify the Governor, House Appropriations, Senate Finance, and the governing body if fiscal stress was detected in a certain locality. An appropriation of \$500,000 was made in each fiscal year to assist with technical review of the locality's finances at its request. The Joint Subcommittee on Local Government Fiscal Stress was also formed. Again, as mentioned previously, the Commission will be presenting at the initial meeting on June 15th. The goals and objectives of this committee is to look at regional cooperation and consolidation of services, causes of fiscal stress among local governments, state mandates on localities, incentives and reforms for regional cooperation, and the differing taxing authorities of cities and counties.

V. 2017 Survey of Cash Proffers – Survey Instrument

A. Preliminary Staff Comment

Ms. Kristen Dahlman presented the survey instrument for the 2017 Cash Proffer Survey. Ms. Dahlman stated that the survey would be sent out on July 1st and the localities would have until September 30th to respond. It was staff's recommendation to send the survey by electronic means only this year. Ms. Dahlman noted that recent changes to cash proffer legislation have determined certain categories of proffers are considered unreasonable. Although these categories are still considered unreasonable, Ms. Dahlman proposed keeping the categories listed in the survey because the current provisions for cash proffers under the Code of Virginia state that localities have 12 years to start progress on a project from the date that it was collected. Ms. Dahlman did note that anecdotally, many localities have already changed their cash proffer policies to reflect the changes in legislation.

B. Commission Deliberation and Action

Mr. Goodson motioned to approve the survey and the means for the survey to be delivered electronically. Ms. Hull seconded the motion and it was unanimously approved.

VI. Periodic Review: Commission on Local Government Regulations

A. Preliminary Staff Comment

Mr. Conmy stated that a periodic review of the regulations are required every four years, pursuant to Executive Order 17, and that the last completed review was in 2013. Mr. Conmy gave a brief overview of the review process and presented a schedule for the approval process. Mr. Conmy asked that the Commission review the regulations prior to the July meeting. Once a schedule is approved, staff would create an open comment period in the Virginia Register. These comments would be reviewed, along with any other recommendations presented by Commissioner's and staff at the July meeting. The Commission would then choose to either retain, amend, or repeal the regulations.

B. Commission Deliberation and Action

Mr. Goodson made a motion to approve the schedule for the periodic review of the regulations. Ms. Hull seconded and the motion was unanimously approved.

VII. Annexation Study

Mr. Conmy gave an update to the Commission stating that the next meeting of the Annexation study will be Wednesday, June 7th at the Virginia Housing Center at 1:00 p.m. This meeting will include a presentation from Mr. Akbor on his analysis of mandated services to localities. Staff will also present an outline of the report to the stakeholders and work to refine the recommendations. Based on discussion and the newly elected officers, it was noted that Mr. Reynolds will replace Ms. Hull as Co- Chair of the study, alongside Ms. Linderman.

VIII. Governor's Task Force for Local Government Mandate Review

Mr. Conmy stated that the most recent report from the Task Force was included in the packet. The recommendations were very high level and brief. The Task Force is planning to have another meeting in late July or early August to discuss budget recommendations for the Governor's final budget.

IX. Commending Resolution for Mr. John Stirrup

A. Staff Presentation

Based on the recommendation from the last meeting regarding Mr. John Stirrup's resolution, Mr. Conmy presented an amended resolution that also included a listing of cases that Mr. Stirrup presided over as chairman. Mr. Conmy stated that it would be best to keep the resolutions uniform, but the addition of cases presided over during a chairman's tenure could be an addition to the current template for future resolutions.

B. Commission Deliberation and Action

Ms. Hull moved to adopt the resolution as presented and Mr. Reynolds seconded. The motion was unanimously approved.

X. Other

Ms. Linderman asked was there any other business for the Commission to discuss. There appeared to be no additional items for consideration.

XI. Schedule of Regular Meetings

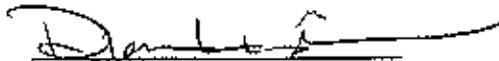
Ms. Linderman noted that the next meeting would be held on July 11, 2017, in the Board Room at the Virginia Housing Center in Glen Allen, Virginia.

XII. Upcoming Events of Interest

Ms. Linderman reviewed upcoming dates and events of interest for the Commission.

XIII. Adjournment

By consensus of the Commission, Ms. Linderman called the meeting adjourned at 11:54 a.m.



Diane Linderman,
Chair



J. David Conmy,
Local Government Policy Administrator

DATE	RESEARCH	TYPE	CONTRIBUTORS
08 Apr 2017	<p>◆ Hopewell, Virginia</p> <p>Healthy revenues provide exceptional replenishing capacity to address a recession scenario, although delayed audits create concerns about the reliability of the information provided. The 'AA-' rating also reflects the narrow...</p>	Full/Partial Report	Caza, Evelyn Mortenson, Parker
30 Mar 2017	<p>Fitch Affirms Hopewell, Virginia's IDB and GOs 'AA-'; Outlook Stable</p> <p>Fitch Ratings - New York-30 March 2017: Fitch Ratings has affirmed the following city of Hopewell, Virginia ratings at 'AA-' - Issuer Default Rating (IDR); - \$28.4 million general obligation (GO) bonds. The Rating Outlook...</p>	Rating Action Commentary	-
02 Oct 2015	<p>Fitch Affirms Hopewell, VA's Sewer System Revenue Bonds at 'AA-'; Outlook Revised to Negative</p> <p>Fitch Ratings - Austin-02 October 2015: Fitch Ratings affirms its 'AA-' rating on the following Hopewell Virginia (the city) sewer system revenue bonds - \$20.8 million sewer system refunding revenue bonds series 2011 A...</p>	Rating Action Commentary	-
14 Jun 2017	<p>◆ WFRBS Commercial Mortgage Trust 2013-LT2 - U.S. CMBS Focus Report</p> <p>Property level performance remains generally in line with issuance expectations. Delinquent principal continues to improve, five loans representing 16.4% of the pool are delinquent. The scheduled amortization for the transaction...</p>	Performance Report	Anderson, Daniel
28 Mar 2017	<p>◆ BANK 2017-BNK4 (U.S. CMBS)</p> <p>The transaction has higher leverage than other recent Fitch-rated multiborrower transactions. The pool's Fitch DSCR for the trust is lower than the average for YTD 2017 and 2016. The pool's Fitch LTV for the trust is higher...</p>	Profile Report	Buckley, Robert Hynes, James
15 Mar 2017	<p>◆ Wells Fargo Commercial Mortgage Trust 2017-RE1 (US CMBS)</p> <p>The pool's Fitch DSCR of 1.08 is lower than the YTD 2017 average of 1.26, but similar to the 2016 average of 1.23. The pool's Fitch LTV of 105.2% is in line with both the YTD 2017 and 2016 averages of 105.5% and 105.2%...</p>	Profile Report	Chen, Lisa MacKenzie, Charles Ro, Dong
14 Feb 2017	<p>◆ Viewpoint (Q1): APAC Corporates</p> <p>Fitch Ratings published 36 topical comments on various sectors across the Asia-Pacific region in H2Q1, with 15 focusing on China, seven on Indonesia and five on India.</p>	Special Report	Ang, Sharmada Jaworski, Matt
30 Feb 2017	<p>◆ BECMS Mortgage Trust 2017-LT (US CMBS)</p> <p>The pool has higher leverage than other Fitch-rated multiborrower transactions. The pool's Fitch DSCR of 1.07 is worse than the 2016 average of 1.1...</p>	Profile Report	Conde, David Scolman, Adam

CREDIT OPINION

2 May 2017

Update

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Contacts

Nishai Rajan 212-553-1978
 Associate Analyst
 nisha.rajan@moody's.com

Thomas Jacobs 212-553-0131
 Senior Vice President
 thomas.jacobs@moody's.com

Hopewell (City of), VA

Update - Moody's Confirms Aa3 Underlying and Aa2 Enhanced on Hopewell, VA GO's

Summary Rating Rationale

Moody's Investors Service has confirmed the Aa3 underlying rating on the City of Hopewell, VA's \$579 million in outstanding GO debt, as well as the enhanced Aa2 rating with a stable outlook on the city's Series 2009 A & B bonds. The city's GO rating was placed under review on February 24, 2017 due to the lack of sufficient financial information for fiscal 2015. The confirmation of the ratings is driven by the receipt of preliminary unaudited fiscal 2015 results. This action concludes the review.

The underlying Aa3 rating reflects the city's moderately sized tax base with average wealth and income levels, balanced operations, and adequate reserve levels.

The Aa2 enhanced rating reflects The Virginia Localities Intercept Program, authorized by Section 15.2-2659 of the Code of Virginia, which directs the Commonwealth of Virginia's (Aaa stable) comptroller to cure any general obligation payment delinquency by appropriating all necessary future payments of state aid due the locality. Although the intercept takes effect after a default has occurred, Moody's believes that the program's sound mechanics and the ample liquidity of the commonwealth significantly increase the likelihood of recovery should a scheduled debt service payment be missed. Credit considerations include availability of funds, timing of state aid payments, state aid trend, strength of notification requirement, and timing between notification and intercept. The city's current state aid allocation is above 1.5 times annual debt service payments due on all general obligation debt. Also, the city will pay its debt service by a paying agent, who will promptly notify the commonwealth if there is a default.

Credit Strengths

- » Moderately sized tax base
- » Average wealth levels

Credit Challenges

- » Highly concentrated tax base
- » Decreased levels of financial reserves
- » Delayed reporting of audited financial information

Rating Outlook

The Commonwealth of Virginia is currently rated Aaa Stable. The stable outlook on Hopewell's enhanced ratings reflects the stable outlook assigned to the Commonwealth of Virginia's general obligation rating.

Factors that Could Lead to an Upgrade

- » Tax base expansion and diversification
- » Significant improvement of cash and fund balance levels

Factors that Could Lead to a Downgrade

- » Further tax base deterioration
- » Diminishing financial reserves and position
- » Additional debt issuance that increases debt burden and debt service costs

Key Indicators

Exhibit I

Hopewell (City of) VA	2011	2012	2013	2014	2015*
Economy/Tax Base					
Total Full Value (\$000)	\$ 2,012,707	\$ 1,916,302	\$ 2,114,488	\$ 2,151,238	\$ 2,028,508
Full Value Per Capita	\$ 89,208	\$ 85,165	\$ 94,275	\$ 98,145	\$ 89,433
Median Family Income (% of US Median)	70.5%	74.4%	79.0%	76.0%	76.0%
Finances					
Operating Revenue (\$000)	\$ 72,095	\$ 74,850	\$ 77,572	\$ 76,870	\$ 78,504
Fund Balance as a % of Revenues	16.4%	15.9%	17.3%	14.1%	13.8%
Cash Balance as a % of Revenues	21.0%	20.3%	21.7%	22.0%	21.1%
Debt/Pensions					
Net Direct Debt (\$000)	\$ 58,290	\$ 57,602	\$ 55,092	\$ 60,495	\$ 59,964
Net Direct Debt / Operating Revenues (x)	0.8x	0.8x	0.7x	0.8x	0.8x
Net Direct Debt / Full Value (%)	2.9%	3.0%	2.6%	2.8%	3.0%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	0.8x	1.2x	1.5x	N/A
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	3.1%	4.5%	5.5%	N/A

*Indicates unaudited figures

Source: Moody's Investors Service & Hopewell, VA

Recent Developments

The city is currently working with auditors to complete and release their fiscal 2015 Comprehensive Annual Financial Report; a final completion date has not yet been established. If Moody's does not receive the audited 2015 financials along with unaudited 2016 financials by June 30, 2017, the city will be placed under review again for lack of sufficient information to maintain the rating.

Detailed Rating Considerations

Economy and Tax Base: Moderately-Sized Tax Base with Average Wealth and Income Levels

The city of Hopewell, located 25 miles from Richmond, VA (Aa2 stable) and accessible by Interstate 295, benefits from a largely manufacturing and industrial economy as well as proximity to Fort Lee. The \$2 billion tax base is fairly stable, growing an average of 0.6% over the last five years; however, it will remain vulnerable to the business cycles of local industry given an above-average

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

concentration in the tax base. The top taxpayers comprise approximately 30% of assessed value. While the city has made an effort to diversify its historically industrial tax base, particularly through the expansion of Fort Lee, manufacturing and electricity generation continue to dominate the tax base. The top four taxpayers, Honeywell International Inc. (A2 stable), which operates a spin-off facility called AdvanSix, Hopewell Cogeneration (not rated), Dominion Virginia Power (not rated), and HCA – John Randolph Medical Center (unrated), collectively comprise 39% of 2014 assessed values. The fifth and sixth largest taxpayers, WestRock (formerly RockTenn) and Ashland Inc. (formerly Hercules) comprised approximately 6.2% of assessed values, with Ashland having recently finished a \$92 million expansion.

Unemployment levels, which have exceeded statewide rates for the last decade, were 6.8% in February 2017 versus 4% in Virginia and 4.9% in the US. Median family income as of the 2014 American Community Survey was low at \$49,730, representing 76% and 63% of the US and state medians, respectively. Considerable industrial presence brings full value per capita to an average \$89,433.

Financial Operations and Reserves: Adequate Financial Position & Reserve Levels

The city's financial position, while slightly below the median for Aa3-rated cities in Virginia, has remained adequate and fairly stable through fiscal 2015. The city experienced a slight operating deficit of \$68 thousand in fiscal 2015, causing the available general fund balance to decrease to \$10.8 million (23.6% of general fund revenues) from \$10.9 million in fiscal 2014. City policies require maintenance of general fund balance of at least 30% of revenues. The city's operating funds include the School Operating Fund, which doesn't hold any additional fund balance reserves.

The city had a \$47.5 million general fund operating budget in fiscal 2016, and while audited financials are not yet available, city management indicated an expected \$908,000 operating deficit, with a planned draw-down of fund balance. The city increased its millage rate to \$1.33 per \$100 of assessed value in fiscal 2016, and has maintained it at that level in fiscal 2017. The city anticipates a 1.7% increase in revenues alongside a \$49 million general fund operating budget in fiscal 2017. The city is also planning significant investment in infrastructure and plans to draw on about \$1.52 million of reserves.

LIQUIDITY

The general fund net cash balance decreased to \$11.4 million in 2015 (24.9% of general fund revenues) from \$13.4 million in fiscal 2014, which was offset by the School Operating Fund's increase in net cash. The total combined net cash balance was to \$16.6 million (21.1% of operating fund revenues).

Debt and Pensions: Above Average, Manageable Debt Burden

Moody's expects the city's debt burden to remain above-average, but manageable going forward despite additional borrowing plans and below-average amortization. The city's overall debt burden is 2.96% of full valuation with a payout of 58% of amortized principal paid within ten years. Additional near-term borrowing plans include \$10 million in fund capital improvement projects and potentially a fire station project. The city cannot issue additional bonds until the 2015 audit is finalized.

DEBT STRUCTURE

All of the city's debt is fixed rate.

DEBT-RELATED DERIVATIVES

The city is not party to any interest rate swaps or other derivative agreements.

PENSIONS AND OPEB

The city participates in the Virginia Retirement System (VRS), a multiple-employer, defined benefit pension plan for city and school board employees. The city contributes 100% of its annual pension cost, which represented \$2.1 million, or a moderate 2.7% of operating expenditures, in fiscal 2014. The city's adjusted three-year average pension liability, under Moody's methodology for adjusting reported pension data is \$119.1 million or a moderate 1.5 times of operating revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the city's reported liability information, but to improve comparability with other rated entities.

The city also provides Other Post-Employment Benefits (OPEB) to employees. The total annual OPEB cost totaled \$1.5 million, and the city contributed \$718 thousand or 49% of the annual cost in fiscal 2014.

Unaudited fiscal 2015 figures on pension and OPEB payments have not been provided.

Management and Governance

The city appointed an interim finance director in December 2016 to facilitate completion of delayed financial reporting. The final audited fiscal 2015 Comprehensive Annual Financial Report has not been released.

Virginia Cities have an Institutional Framework score of Aaa, which is high compared to the nation. Institutional Framework scores measure a sector's legal ability to increase revenues and decrease expenditures. The sector has one or more major revenue sources that are not subject to any caps. Unpredictable revenue fluctuations tend to be minor, or under 5% annually. Across the sector, fixed and mandated costs are generally less than 25% of expenditures. Virginia is a Right to Work state, providing significant expenditure-cutting ability. Unpredictable expenditure fluctuations tend to be minor, under 5% annually.

Legal Security

The bonds are secured by the city's General Obligation pledge.

Use of Proceeds

Not applicable.

Obligor Profile

The City of Hopewell is located in east-central Virginia, approximately 23 miles south of Richmond. The city has a population of 22,682. Manufacturing, electricity generation, and health services are key drivers of the local economy.

Methodology

The principal methodology used in the underlying rating was US Local Government: General Obligation Debt published in December 2016. The principal methodology used in the enhanced rating was State Aid Intercept Programs and Financings: Pre and Post Default published in July 2013. Please see the Rating Methodologies page on www.moody's.com for a copy of these methodologies.

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Contacts

Nisha Rajan
Associate Analyst
nisha.rajan@moodys.com

212-553-1978

Thomas Jacobs
Senior Vice President
thomas.jacobs@moodys.com

212-553-0131

CLIENT SERVICES

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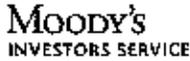
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Rating Action: Moody's Withdraws 5 Public Finance Local Government Obligors for Lack of Audited Financial Statements

Global Credit Research - 01 Aug 2017

New York, August 01, 2017 — Moody's Investors Service has withdrawn the ratings of 5 US public finance obligors. This action affects approximately \$243.3 million of outstanding direct GO and GO backed debt.

The affected obligors are:

Rabun County School District, GA

Bridgewater-Haytham Regional School District, MA

Hopewell, VA

Manassas Park, VA

Northampton County, NC

SUMMARY RATING RATIONALE

The withdrawal of the rating for each of the aforementioned obligors reflects our opinion that as a result of insufficient or otherwise inadequate information, we are unable to provide investors with an informed assessment of current credit quality. Please refer to the Moody's Investors Service's Policy for Withdrawal of Credit Ratings, available on the website, www.moodys.com.

This rating action was initiated by Moody's and was not requested by the rated entity.

Please see www.moodys.com for any updates on changes to the local rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Susanne Siebel
Lead Analyst
PT General Administration
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10207
US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1853

Sarah Jensen
Additional Contact
Regional PTG Dallas
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1853

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10037
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1853

Related Issuers

Bridgewater-Rayburn Reg. S.D., MA

Hopewell (City of) VA

Manassas Park (City of) VA

Northampton (County of) NC

Rabun County School District, GA

Related Research

Rating Action: Moody's Places 11 Local Government Obligors On Review Due to Insufficient Financial Information

Rating Action: Moody's Withdraws the Rating on Hopewell (City of) VA's Sewer System for Lack of Audited Financial Statements

Rating Action: Moody's Confirms Aa3 Underlying and Aa2 Enhanced on Hopewell, VA GO's

Rating Update: Hopewell (City of) VA: Update - Moody's Confirms Aa3 Underlying and Aa2 Enhanced on Hopewell, VA GO's

Rating Action: Moody's Places Hopewell (City of) VA's Sewer System Revenue Bonds on Review, Downward Pressure



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