

CITY OF HOPEWELL, VIRGINIA



**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

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INTRODUCTORY SECTION

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City of Hopewell, Virginia
 Comprehensive Annual Financial Report
 TABLE OF CONTENTS
 Year Ended June 30, 2016

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	1
City Officials	4
Organizational Chart	5
Letter of Transmittal	6
FINANCIAL SECTION	
Report of Independent Auditor	10
Management’s Discussion and Analysis	13
Basic Financial Statements:	
Exhibit 1 Statement of Net Position	22
Exhibit 2 Statement of Activities	23
Exhibit 3 Balance Sheet – Governmental Funds	24
Exhibit 4 Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position	25
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	26
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	27
Exhibit 7 Statement of Net Position – Proprietary Funds	28
Exhibit 8 Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	29
Exhibit 9 Statement of Cash Flows – Proprietary Funds	30
Exhibit 10 Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	31
Notes to Financial Statements	32
REQUIRED SUPPLEMENTARY INFORMATION	
Exhibit 11 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	80
Exhibit 12 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Virginia Public Assistance Fund	81
Exhibit 13 Schedule of Changes in City’s Net Pension Liability and Related Ratios	82
Exhibit 14 Schedule of Changes in School Board’s Nonprofessional Net Pension Liability and Related Ratios	83
Exhibit 15 Schedule of Employer’s Proportionate Share of Net Pension Liability – School Board Professional Retirement Plan	84
Exhibit 16 Schedule of Funding Progress for Retiree Health Insurance Plan	85
Notes to Required Supplementary Information	86

City of Hopewell, Virginia
 Comprehensive Annual Financial Report
 TABLE OF CONTENTS
 Year Ended June 30, 2016

		<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION		
Exhibit 17	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Fund	88
Exhibit 18	Combining Balance Sheet – Nonmajor Special Revenue Funds	89
Exhibit 19	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	90
Exhibit 20	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Recreation Fund	91
Exhibit 21	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Community Development Block Grant Fund	92
Exhibit 22	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Anti-Litter Fund	93
Exhibit 23	Statement of Changes in Fiduciary Assets and Liabilities – Agency Fund	94
Discretely Presented Component Unit - School Board		
Exhibit 24	Combining Balance Sheet	95
Exhibit 25	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	96
Exhibit 26	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Operating Fund	97
Exhibit 27	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Cafeteria Fund	98
Exhibit 28	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – School Textbook Fund	99
Exhibit 29	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Building and Bus Replacement Fund	100
Discretely Presented Component Unit – Children’s Services Act Board		
Exhibit 30	Balance Sheet	101
Exhibit 31	Statement of Revenues, Expenditures, and Changes in Fund Balance	102
Supporting Schedules		
Schedule 1	Schedule of Revenues and Expenditures – Budget and Actual – Recreation Fund	103
Schedule 2	Schedule of Revenues and Expenditures – Budget and Actual – Capital Projects Fund	104
Schedule 3	Schedule of Revenues – Budget and Actual – Component Unit School Board	105
Schedule 4	Schedule of Expenditures – Budget and Actual – Component Unit School Board	108

City of Hopewell, Virginia
 Comprehensive Annual Financial Report
 TABLE OF CONTENTS
 Year Ended June 30, 2016

		<u>Page</u>
STATISTICAL SECTION		
	Notes on Statistical Section	110
Table 1	Net Position by Component – Last Ten Fiscal Years	111
Table 2	Changes in Net Position – Last Ten Fiscal Years	112
Table 3	Fund Balances of Governmental Funds – Last Ten Fiscal Years	114
Table 4	Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	115
Table 5	Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	116
Table 6	Direct Tax Rates – Last Ten Fiscal Years	117
Table 7	Principal Property Taxpayers – Current Year and Period Nine Years Prior	118
Table 8	Property Tax Levies and Collections – Last Ten Fiscal Years	119
Table 9	Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	120
Table 10	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita – Last Ten Fiscal Years	121
Table 11	Legal Debt Margin Information – Last Ten Fiscal Years	122
Table 12	Demographic and Economic Statistics – Last Ten Fiscal Years	123
Table 13	Principal Employers – Current Year and Period Nine Years Prior	124
Table 14	Full-Time City Government Employees by Function – Last Ten Fiscal Years	125
Table 15	Operating Indicators by Function – Last Ten Fiscal Years	126
Table 16	Capital Asset Statistics by Function – Last Ten Fiscal Years	127
COMPLIANCE SECTION		
	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	129

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CITY OF HOPEWELL, VIRGINIA
CITY COUNCIL AND CITY OFFICIALS
JUNE 30, 2016

CITY COUNCIL

Brenda S. Pelham Mayor
Christina J. Luman-Bailey.....Vice Mayor
Jasmine E. GoreCouncilor
Arlene HollowayCouncilor
Anthony ZevgolisCouncilor
K. Wayne WaltonCouncilor
Jackie M. ShornakCouncilor

CONSTITUTIONAL OFFICERS

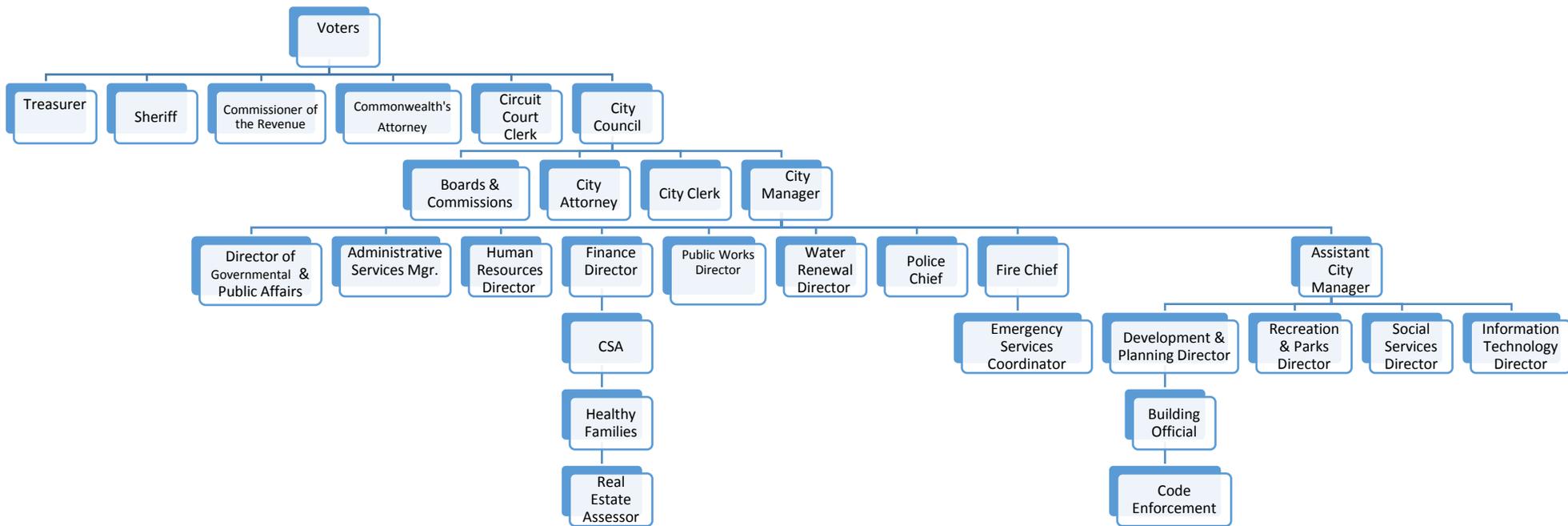
Teresa L. BattonCity Treasurer
Debra A. ReasonCommissioner of Revenue
Richard K. NewmanCommonwealth’s Attorney
Tamara J. WardClerk of the Circuit Court
Luther SodatSheriff

CITY ADMINISTRATION

Mark A. HaleyCity Manager
Charles E. DaneAssistant City Manager
Stefan M. CalosCity Attorney
Ross A. Kearney, IIICity Clerk
Tevya W. Griffin.....Planning and Neighborhood Services Director
Raymond W. SpicerSocial Services Director
Aaron A. ReidmillerRecreation & Parks Director
Edward O. WatsonPublic Works Director
Herbert BraggGovernmental Affairs Director
Aimee Francoeur.....Human Resources, Interim Director
Eugenia E. GrandstaffRegional Wastewater Treatment Facility & Sewer System Director
Jerry L. WhitakerFinance Director
Donald R. Hunter, IIFire Department Chief
John F. KeohanePolice Department Chief

CITY SCHOOLS

Dr. Melody D. HackneySchool Superintendent





October 24, 2018

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

TO THE HONORABLE MEMBERS OF CITY COUNCIL:

John M. Altman, Jr.
City Manager

maltman@hopewellva.gov
p: (804) 541-2243
f: (804) 541-2248

300 North Main Street
Suite 216
Hopewell, VA 23860

www.hopewellva.gov

The Comprehensive Annual Financial Report of the City of Hopewell, Virginia (the City) for the year ended June 30, 2016 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.

Internal Control: 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 U.S. generally accepted accounting principles (GAAP). 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.

Compliance Section: The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. 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 will be included in a separate report.

CITY GOVERNMENT

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 Children's Services Act Board.

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

ECONOMIC CONDITION AND OUTLOOK

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

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.

FINANCIAL INFORMATION

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, 2016 will be provided under separate reporting.

Budgetary Controls

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

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

OTHER INFORMATION

Management, Discussion and Analysis

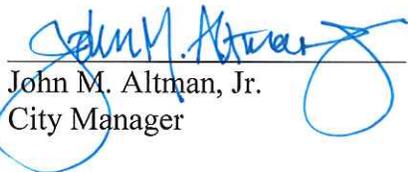
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

Independent Audit

State Statutes require an annual audit by independent certified public accountants. The accounting firm of PBMares, 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 the related Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The report of the independent auditor on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The report of the independent auditor related specifically to the Single Audit will be issued under separate reporting.

ACKNOWLEDGMENTS

This report could not have been accomplished without a great deal of cooperation and assistance by staff in both the City departments and Hopewell Schools. Also, we would like to thank the Mayor and members of City Council for their continued interest and support.



John M. Altman, Jr.
City Manager



Michael Terry
Finance Director

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopewell, Virginia (the City), as of and for the year ended June 30, 2016, 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 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 City'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 City'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the governmental activities, aggregate discretely presented component units, each major governmental fund, and the aggregate remaining fund information. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions for the business-type activities and enterprise funds.

Basis for Disclaimer of Opinions on the Business-type Activities and the Enterprise Funds Consisting of the Hopewell Regional Wastewater Treatment Facilities Fund (HRWTF), Sewer Service Fund, Solid Waste Fund, Storm Water Fund and Beacon Theatre Fund

The City and staff of the Hopewell Regional Wastewater Treatment Facilities were not able to provide sufficient appropriate audit evidence for multiple elements of the HRWTF's financial statements including accounts receivable, accrued liabilities, refund credits payable, and charges for services. The City and third-party management company were not able to provide sufficient appropriate audit evidence for multiple elements of the Beacon Theatre Fund including capital assets, accumulated depreciation, unearned revenue, and operating expenses. The City was not able to provide sufficient appropriate audit evidence for multiple elements of the Sewer Service, Solid Waste and Storm Water funds including accounts receivable and charges for services.

Disclaimer of Opinions

Because of the significance of the matters described in the Basis for Disclaimer of Opinions paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions. Accordingly, we do not express opinions on the financial statements of the business-type activities and enterprise funds consisting of the Hopewell Regional Wastewater Treatment Facilities Fund, Sewer Service Fund, Solid Waste Fund, Storm Water Fund and Beacon Theatre Fund.

Unmodified Opinion

In our opinion, the financial statements of the governmental activities, aggregate discretely presented component units, each major governmental fund, and the aggregate remaining fund information present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each governmental major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the City restated net position of the business-type activities, Hopewell Regional Wastewater Treatment Facilities Fund, the Sewer Service Fund and the Beacon Theatre Fund to correct prior year errors in recording capital assets and depreciation. The City restated fund balance of the General Fund and net position of the governmental activities to record a liability to the Commonwealth of Virginia for disallowed prior year Children's Services Act expenditures and to correct prior year errors by recording an amount due to the Community Development Block Grant Fund and an amount due from the School Board. The City restated the fund balance of the Capital Projects Fund and net position of the governmental activities for a prior year advance reclassified to a capital contribution and to correct prior year errors by recording an amount due from the Community Development Block Grant Fund and recording adjustments to the recording of bond issuance costs and cash. The City restated the fund balance of the Community Development Block Grant Fund and net position of the governmental activities to correct prior year errors by recording an amount due to other funds and an amount due from the Federal government. The School Board Component Unit restated net position to record adjustments to capital assets, to record an amount due to the City and to correct a prior year error in grant recording. The net position of the business-type activities and the Beacon Theatre Fund was restated for a prior year advance reclassified to a capital contribution. Our opinions for the governmental activities, General Fund, Capital Projects Fund, Community Development Block Grant Fund and School Board Component Unit are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 13-20 and 80-86, 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 accompanying schedules listed in the table of contents as introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such other supplementary information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections, as listed in the table of contents, 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 October 24, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

P. B. Mares, CPA

Harrisonburg, Virginia
October 24, 2018

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CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2016

The Honorable Members of City Council:

This section of the City of Hopewell, Virginia's comprehensive annual financial report presents our management discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, notes to financial statements, and schedules, which follow this section.

FINANCIAL HIGHLIGHTS (amounts rounded)

- Total net position for the City's Primary Government was \$112.7 million. Of this total, \$98.2 million was related to business-type activities.
- In the City's business-type activities, total operating and non-operating revenues plus capital contributions were \$63.1 million and total operating and non-operating expenses were \$21.3 million.
- The total cost of all the City's programs and services was \$75.8 million.
- During this year, the net position of the City's governmental activities increased by \$1.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2016

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, such as solid waste and 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.

CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2016

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

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

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

- **Governmental Activities** — Most of the City's basic services are included here, such as the police, fire, public works, parks, and social services departments, and general administration. Property taxes and state and federal grants finance the biggest share of these activities.
- **Business-Type Activities** — The City charges fees to customers to help it cover the costs of certain services it provides. The City's Regional Wastewater Treatment Facilities Plant, Sewer Services, Solid Waste, and Storm Water activities are included here. The Beacon Theatre is also included as a blended component unit in the Business-type activities section of the government-wide financial statements.
- **Component Units** — The City includes two other entities in its report — The Hopewell City School Board and the Children's 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, Healthy Families', and Police Evidence Funds. It is responsible for these assets because of a trust arrangement; they can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in a separate

CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2016

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, 2016

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2015	2016	2015	2016	2015	2016	
Current and other assets	\$ 44,174,645	\$ 44,296,267	\$ 40,088,694	\$ 44,146,644	\$ 84,263,339	\$ 88,442,911	4.96%
Capital assets	67,688,310	67,359,187	63,226,161	104,289,566	130,914,471	171,648,753	31.12%
Total Assets	111,862,955	111,655,454	103,314,855	148,436,210	215,177,810	260,091,664	
Deferred outflows of Resources	4,131,263	4,005,932	351,213	524,657	4,482,476	4,530,589	1.07%
Current Liabilities	3,386,622	2,965,189	7,683,111	7,556,717	11,069,733	10,521,906	(4.95%)
Long-term liabilities	84,531,501	85,069,422	38,677,950	42,736,632	123,209,451	127,806,054	3.73%
Total Liabilities	87,918,123	88,034,611	46,361,061	50,293,349	134,279,184	138,327,960	
Deferred Inflows of Resources	15,330,657	13,159,794	914,857	475,487	16,245,514	13,635,281	(16.07%)
Net Position:							
Net investment in capital assets	15,858,838	42,341,331	30,037,385	70,349,924	45,896,223	112,691,255	145.53%
Restricted	400,000	-	-	2,928,418	400,000	2,928,418	632.10%
Unrestricted	(3,513,400)	(27,874,350)	26,352,765	24,913,689	22,839,365	(2,960,661)	(112.96%)
Total Net Position	\$ 12,745,438	\$ 14,466,981	\$ 56,390,150	\$ 98,192,031	\$ 69,135,588	\$ 112,659,012	

Total net position increased approximately \$1.7 million during the current fiscal year for the City's governmental activities.

Total net position increased approximately \$41.8 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.

CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2016

Governmental Activities

Total governmental activities revenues increased by 2% over 2015. At the same time, expenses decreased by 8% over 2015. The combined revenues and expenses created an increase in net position of \$1.7 million.

Business-Type Activities

Charges for services of the City's business-type activities increased 30% and expenses decreased by 15%. The combined revenues and expenses created an increase in net position of \$41.8 million driven by significant grants and contributed capital amounts in 2016.

Table A-2

City of Hopewell, Virginia
Changes in Net Position
For the Year ended June 30, 2016

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2015	2016	2015	2016	2015	2016	
Revenues							
Program revenues:							
Charges for services	\$ 977,338	\$ 1,123,375	\$21,134,708	\$27,574,838	\$22,112,046	\$ 28,698,213	29.79%
Federal/state operating grants	10,272,432	11,244,004	-	21,906,801	10,272,432	33,150,805	222.72%
Federal/state/local capital grants	245,093	593,982	28,086,103	13,305,001	28,331,196	13,898,983	(50.94%)
General revenues:							
Property taxes	29,559,595	31,221,372	-	-	29,559,595	31,221,372	5.62%
Other taxes	8,539,613	9,125,946	-	-	8,539,613	9,125,946	6.87%
Other	5,243,299	2,889,676	1,058,783	318,470	6,302,082	3,208,146	(49.09%)
Total Revenues	<u>54,837,370</u>	<u>56,198,355</u>	<u>50,279,594</u>	<u>63,105,110</u>	<u>105,116,964</u>	<u>119,303,465</u>	13.50%
Expenses							
General government	7,602,095	5,065,483	-	-	7,602,095	5,065,483	(33.37%)
Judicial	2,810,211	2,694,035	-	-	2,810,211	2,694,035	(4.13%)
Public safety	16,464,074	14,031,657	-	-	16,464,074	14,031,657	(14.77%)
Public works	3,563,432	5,794,089	-	-	3,563,432	5,794,089	62.60%
Health & welfare	6,989,444	5,899,170	-	-	6,989,444	5,899,170	(15.60%)
Education	12,045,499	13,995,712	-	-	12,045,499	13,995,712	16.19%
Parks, recreation, and cultural	7,001,866	2,421,366	-	1,376,547	7,001,866	3,797,913	(45.76%)
Community development	182,390	2,323,189	-	-	182,390	2,323,189	1173.75%
Interest on long-term debt	2,741,666	2,252,111	-	-	2,741,666	2,252,111	(17.86%)
Public utilities	-	-	25,006,381	19,926,682	25,006,381	19,926,682	(20.31%)
Total Expenses	<u>59,400,677</u>	<u>54,476,812</u>	<u>25,006,381</u>	<u>21,303,229</u>	<u>84,407,058</u>	<u>75,780,041</u>	(10.22%)
Transfers, net	502,000		(502,000)		-	-	
Change in Net Position	(4,061,307)	1,721,543	24,771,213	41,801,881	20,709,906	43,523,424	
Net position - beginning of year (restated)	<u>16,806,745</u>	<u>12,745,438</u>	<u>31,618,937</u>	<u>56,390,150</u>	<u>48,425,682</u>	<u>69,135,588</u>	
Net position - end of year	<u>\$12,745,438</u>	<u>\$14,466,981</u>	<u>\$56,390,150</u>	<u>\$98,192,031</u>	<u>\$69,135,588</u>	<u>\$ 112,659,012</u>	

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

CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2016

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 76% of the \$52.2 million total costs of services.
- However, the amount that our taxpayers paid for these activities was \$29.4 million. Some of the costs were paid by:
 - Those who directly benefited from the programs, or
 - Other governments and organizations subsidized certain programs with grants and contributions.
- The City paid for the "public benefit" portion with taxes and with other revenues such as interest and unrestricted state aid.

Table A-3

City of Hopewell, Virginia
Net Cost of Certain Governmental Activities
For the Year Ended June 30, 2016

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2015	2016		2015	2016	
Public Safety	\$ 16,464,074	\$ 14,031,657	(14.8%)	\$ 14,055,371	\$ 12,059,661	(14.2%)
Public Works	3,563,432	5,794,089	62.6%	(452,764)	1,196,801	(364.3%)
Health & Welfare	6,989,444	5,899,170	(15.6%)	2,229,467	2,141,557	(3.9%)
Education	12,045,499	13,995,712	16.2%	12,045,499	13,995,712	16.2%
Other	17,596,562	12,504,073	(28.9%)	16,801,506	10,457,159	(37.8%)
Total	<u>\$ 56,659,011</u>	<u>\$ 52,224,701</u>		<u>\$ 44,679,079</u>	<u>\$ 39,850,890</u>	

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

General Fund

The City closed the fiscal year ended June 30, 2016 with the General Fund reporting total fund balance of \$14.6 million. The unassigned fund balance was \$6.6 million, which was approximately \$4.4 million more than last year.

Capital Projects Fund

The City closed the fiscal year ended June 30, 2016 with its Capital Projects Fund reporting the following fund balances; nonspendable of \$1.5 million, restricted of \$9.8 million, and assigned of \$ 2.6 million totaling \$13.9 million which was approximately \$1.6 million less than last year.

Virginia Public Assistance Fund

The City closed the fiscal year ended June 30, 2016 with its Virginia Public Assistance Fund reporting an assigned fund balance of \$0. Revenues and operating transfers did not exceed expenditures for the year. The City only transferred to the fund amounts sufficient to cover expenditures not covered from other sources as its mandated local share.

CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the fiscal year ended June 30, 2016, the City Council amended the City budget. These budget amendments fall into three categories:

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

Even with the increases in the total budget resulting from such budget amendments and appropriations, actual expenditures were approximately \$3.8 million under the final total budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - Governmental and Business-Type Activities

At the end of fiscal year 2016, the City had invested \$171.6 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, 2016

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2015	2016	2015	2016	2015	2016	
	Land	\$ 6,776,914	\$ 7,166,135	\$ 598,419	\$ 598,419	\$ 7,375,333	
Buildings, system improvements, and infrastructure	27,432,725	26,708,763	36,141,214	36,093,079	63,573,939	62,801,842	(1.21%)
Equipment	3,863,060	3,661,570	2,227,749	1,936,793	6,090,809	5,598,363	(8.09%)
Construction in progress	2,796,846	5,590,879	24,258,779	65,661,275	27,055,625	71,252,154	163.35%
Jointly-owned assets	26,818,765	24,231,840	-	-	26,818,765	24,231,840	(9.65%)
Total	<u>\$ 67,688,310</u>	<u>\$ 67,359,187</u>	<u>\$ 63,226,161</u>	<u>\$104,289,566</u>	<u>\$130,914,471</u>	<u>\$171,648,753</u>	

There were major capital asset additions in fiscal year 2016 for the business-type activities related to plant improvements. More detailed information on capital assets can be found in Note 5 to the financial statements.

The City's fiscal year 2016 capital projects budget was \$18 million, of which \$4 million was for debt service and \$14 million was for infrastructure improvements and various equipment/vehicle purchases.

CITY OF HOPEWELL, VIRGINIA
Management's Discussion and Analysis
June 30, 2016

Long-Term Debt - Governmental Activities

At year-end, the City had \$60 million in General Obligation bonds and Literary Loans outstanding, a decrease of 5% over last year, as shown in Table A-5. More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

Table A-5

City of Hopewell, Virginia
Schedule of Outstanding Debt
At June 30, 2016

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2015	2016	2015	2016	2015	2016	
General obligation bonds	\$ 60,602,676	\$ 57,890,852	\$ -	\$ -	\$ 60,602,676	\$ 57,890,852	(4.47%)
Literary loans	2,547,600	2,073,400	-	-	2,547,600	2,073,400	(18.61%)
Revenue bonds	-	-	38,210,000	37,130,000	38,210,000	37,130,000	(2.83%)
Total	<u>\$ 63,150,276</u>	<u>\$ 59,964,252</u>	<u>\$ 38,210,000</u>	<u>\$ 37,130,000</u>	<u>\$101,360,276</u>	<u>\$ 97,094,252</u>	

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have any questions about this financial report or if you need additional financial information, please contact the Finance Department either by mail at City of Hopewell, Virginia, 300 North Main Street, Hopewell, VA 23860 or by telephone at (804) 541-2306.

BASIC FINANCIAL STATEMENTS

City of Hopewell, Virginia
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board	Children's Services Act Board
Assets					
Cash and investments	\$ 13,753,564	\$ 24,407,813	\$ 38,161,377	\$ 8,762,858	\$ 1,032,758
Taxes receivable	11,948,259	-	11,948,259	-	-
Accounts receivable	191,075	6,891,652	7,082,727	26,277	-
Notes receivable	115,591	55,369	170,960	-	3
Interest receivable	2,187	10,697	12,884	-	-
Due from School Board	5,497,890	-	5,497,890	-	-
Due from Primary Government	-	-	-	-	54,663
Due from other governmental units	1,543,287	2,183,069	3,726,356	3,401,465	591,053
Internal balances	27,500	(27,500)	-	-	-
Inventories	58,398	1,044,940	1,103,338	47,028	-
Prepaid expenses	3,316	10,991	14,307	-	-
Restricted assets:					
Cash and investments (in custody of others)	9,775,518	6,713,413	16,488,931	-	-
Note receivable, net of current portion	1,379,682	2,856,200	4,235,882	-	-
Capital assets, net of accumulated depreciation:					
Land	7,166,135	598,419	7,764,554	474,629	-
Work in progress	5,590,879	65,661,275	71,252,154	-	-
Buildings, system improvements, and Infrastructure	78,048,470	11,261,285	89,309,755	30,732,388	-
Machinery and equipment	11,926,812	55,725,158	67,651,970	8,019,427	-
Sewer main and storm water improvements	-	43,426,226	43,426,226	-	-
Accumulated depreciation	(35,373,109)	(72,382,797)	(107,755,906)	(14,291,341)	-
Total assets	111,655,454	148,436,210	260,091,664	37,172,731	1,678,477
Deferred outflows of resources					
Deferred outflows related to debt	2,285,044	31,518	2,316,562	-	-
Deferred outflows related to pensions	1,720,888	493,139	2,214,027	3,555,449	-
Total deferred inflows of resources	4,005,932	524,657	4,530,589	3,555,449	-
Liabilities					
Accounts payable	1,020,726	854,595	1,875,321	265,487	218,304
Accrued liabilities	997,924	5,358,683	6,356,607	4,440,485	2,952
Refund credits payable	-	730,847	730,847	-	-
Accrued interest payable	539,626	612,592	1,152,218	-	-
Due to Primary Government	-	-	-	5,155,904	-
Due to Children's Services Act Board	54,663	-	54,663	-	-
Due to other governmental units	352,250	-	352,250	-	1,457,221
Unearned revenues	-	-	-	23,332	-
Long-term liabilities:					
Due within one year	3,265,855	1,425,547	4,691,402	336,026	-
Due in more than one year	81,803,567	41,311,085	123,114,652	44,196,796	-
Total liabilities	88,034,611	50,293,349	138,327,960	54,418,030	1,678,477
Deferred inflows of resources					
Unearned tax revenues	11,205,983	-	11,205,983	-	-
Deferred inflows related to pensions	1,953,811	475,487	2,429,298	3,946,030	-
Total deferred inflows of resources	13,159,794	475,487	13,635,281	3,946,030	-
Net position					
Net investment in capital assets	42,341,331	70,349,924	112,691,255	24,935,103	-
Restricted	-	2,928,418	2,928,418	1,109,122	-
Unrestricted	(27,874,350)	24,913,689	(2,960,661)	(43,680,105)	-
Total net position	\$ 14,466,981	\$ 98,192,031	\$ 112,659,012	\$ (17,635,880)	\$ -

City of Hopewell, Virginia
Statement of Activities
For the Year Ended June 30, 2016

Exhibit 2

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			Component Units	
					Governmental Activities	Business-Type Activities	Total	School Board	Comprehensive Services Act Board
Primary Government:									
Governmental activities:									
General government administration	\$ 5,065,483	\$ 395,800	\$ 656,407	\$ -	\$ (4,013,276)	\$ -	\$ (4,013,276)	\$ -	\$ -
Judicial administration	2,694,035	53,913	589,807	-	(2,050,315)	-	(2,050,315)	-	-
Public safety	14,031,657	520,413	1,451,583	-	(12,059,661)	-	(12,059,661)	-	-
Public works	5,794,089	-	4,126,801	470,487	(1,196,801)	-	(1,196,801)	-	-
Health and welfare	5,899,170	-	3,757,613	-	(2,141,557)	-	(2,141,557)	-	-
Education	13,995,712	-	-	-	(13,995,712)	-	(13,995,712)	-	-
Parks, recreation, and cultural	2,421,366	153,249	74,243	-	(2,193,874)	-	(2,193,874)	-	-
Community development	2,323,189	-	-	123,495	(2,199,694)	-	(2,199,694)	-	-
Interest on long-term debt	2,252,111	-	587,550	-	(1,664,561)	-	(1,664,561)	-	-
Total governmental activities	54,476,812	1,123,375	11,244,004	593,982	(41,515,451)	-	(41,515,451)	-	-
Business-Type activities:									
Hopewell Regional Wastewater Facilities Fund	10,669,795	16,211,416	21,811,801	13,305,001	-	40,658,423	40,658,423	-	-
Sewer Service Fund	7,499,348	8,336,903	-	-	-	837,555	837,555	-	-
Solid Waste Fund	1,383,631	1,634,126	-	-	-	250,495	250,495	-	-
Storm Water Fund	373,908	628,685	-	-	-	254,777	254,777	-	-
Beacon Theatre Fund	1,376,547	763,708	95,000	-	-	(517,839)	(517,839)	-	-
Total Business-Type activities	21,303,229	27,574,838	21,906,801	13,305,001	-	41,483,411	41,483,411	-	-
Total Primary Government	\$ 75,780,041	\$ 28,698,213	\$ 33,150,805	\$ 13,898,983	(41,515,451)	41,483,411	(32,040)	-	-
Component units:									
School Board	\$ 46,206,127	\$ 302,921	\$ 33,479,179	\$ -	-	-	-	\$ (12,424,027)	\$ -
Children's Services Act Board	2,665,278	-	2,665,278	-	-	-	-	-	-
Total component units	\$ 48,871,405	\$ 302,921	\$ 36,144,457	\$ -	-	-	-	(12,424,027)	-
General revenues:									
General property taxes					31,221,372	-	31,221,372	-	-
Local sales tax					2,075,150	-	2,075,150	-	-
Business license tax					1,844,640	-	1,844,640	-	-
Communications tax					770,254	-	770,254	-	-
Restuarant food taxes					1,836,183	-	1,836,183	-	-
Other local taxes					2,599,719	-	2,599,719	-	-
Unrestricted from use of money and property					121,552	318,470	440,022	149	-
Fines and forfeitures					1,173,179	-	1,173,179	46,087	-
Miscellaneous					1,594,945	-	1,594,945	14,403,458	-
Total general revenues					43,236,994	318,470	43,555,464	14,449,694	-
Change in net position					1,721,543	41,801,881	43,523,424	2,025,667	-
Net position - beginning, as restated (Note 16)					12,745,438	56,390,150	69,135,588	(19,661,547)	-
Net position - ending					\$ 14,466,981	\$ 98,192,031	\$ 112,659,012	\$ (17,635,880)	\$ -

City of Hopewell, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 8,858,758	\$ -	\$ 4,443,811	\$ 450,995	\$ 13,753,564
Receivables (net of allowance for uncollectibles):					
Taxes receivable	11,948,259	-	-	-	11,948,259
Accounts receivable	177,579	-	11,776	1,720	191,075
Interest receivable	40	-	2,147	-	2,187
Due from other funds	2,371,408	114,358	370,606	-	2,856,372
Due from School Board	5,497,890	-	1,495,273	-	6,993,163
Due from other governments	797,874	287,903	400,000	57,510	1,543,287
Inventories	58,398	-	-	-	58,398
Prepaid items	3,316	-	-	-	3,316
Restricted assets:					
Cash and investments	-	-	9,775,518	-	9,775,518
Total assets	\$ 29,713,522	\$ 402,261	\$ 16,499,131	\$ 510,225	\$ 47,125,139
Liabilities					
Accounts payable	\$ 765,201	\$ 21,918	\$ 181,299	\$ 52,308	\$ 1,020,726
Accrued liabilities	912,845	58,608	-	26,471	997,924
Due to other funds	114,358	321,735	2,049,673	343,106	2,828,872
Due to School Board	-	-	341,986	-	341,986
Due to Children's Services Act Board	54,663	-	-	-	54,663
Due to other governments	10,264	-	-	-	10,264
Total liabilities	1,857,331	402,261	2,572,958	421,885	5,254,435
Deferred inflows of resources					
Unearned tax revenues	11,205,983	-	-	-	11,205,983
Unavailable tax revenues	2,079,169	-	-	-	2,079,169
Total deferred inflows of resources	13,285,152	-	-	-	13,285,152
Fund balances:					
Nonspendable:					
Prepaid items	3,316	-	-	-	3,316
Inventories	58,398	-	-	-	58,398
Due from School Board	-	-	1,495,273	-	1,495,273
Restricted for capital projects	-	-	9,775,518	-	9,775,518
Committed					
Perpetual care	887,776	-	-	-	887,776
Assigned:					
Fire department equipment	160,000	-	-	-	160,000
Next year budget	1,347,740	-	-	-	1,347,740
Rainy day emergency	4,993,036	-	-	-	4,993,036
Self-insurance	500,000	-	-	-	500,000
Recreation	-	-	-	73,864	73,864
Anti-Litter	-	-	-	14,476	14,476
Capital projects	-	-	2,655,382	-	2,655,382
Unassigned	6,620,773	-	-	-	6,620,773
Total fund balances	14,571,039	-	13,926,173	88,340	28,585,552
Total liabilities, deferred inflows of resources, and fund balances	\$ 29,713,522	\$ 402,261	\$ 16,499,131	\$ 510,225	\$ 47,125,139

City of Hopewell, Virginia
Reconciliation of the Balance Sheet of the Governmental Funds to the
Statement of Net Position
June 30, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 28,585,552
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		67,359,187
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned in the funds.		
Uncollected taxes receivable		2,079,169
Deferred items:		
Deferred outflow related to debt	\$ 2,285,044	
Deferred pension contributions	1,652,988	
Deferred change in assumptions	(1,953,811)	
Deferred pension investment experience	<u>67,900</u>	2,052,121
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	(59,964,252)	
Bond issuance premium	(65,154)	
Capital leases	(1,280,852)	
Landfill closure liability	(597,960)	
Accrued interest payable	(539,626)	
Net pension liability	(15,947,580)	
Other postemployment benefit obligations	(6,377,495)	
Compensated absences	<u>(836,129)</u>	<u>(85,609,048)</u>
Net position of governmental activities		<u>\$ 14,466,981</u>

City of Hopewell, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 31,060,801	\$ -	\$ -	\$ -	\$ 31,060,801
Other local taxes	6,299,591	-	2,620,804	-	8,920,395
Permits, privilege fees, and regulatory licenses	205,552	-	-	-	205,552
Fines and forfeitures	1,173,179	-	-	-	1,173,179
Revenues from use of money and property	66,786	4	43,587	11,174	121,551
Charges for services	587,626	-	-	153,249	740,875
Miscellaneous	1,330,239	33,692	204,476	26,537	1,594,944
Recovered costs	382,500	-	-	-	382,500
Intergovernmental revenues:					
Commonwealth	6,679,606	1,190,570	656,514	64,661	8,591,351
Federal	87,953	2,438,054	587,550	133,079	3,246,636
Total revenues	<u>47,873,833</u>	<u>3,662,320</u>	<u>4,112,931</u>	<u>388,700</u>	<u>56,037,784</u>
EXPENDITURES					
Current:					
General government administration	4,542,624	-	-	-	4,542,624
Judicial administration	2,400,080	-	-	-	2,400,080
Public safety	13,624,877	-	-	-	13,624,877
Public works	4,404,590	-	-	6,764	4,411,354
Health and welfare	1,354,237	4,418,327	-	-	5,772,564
Education	11,408,787	-	-	-	11,408,787
Parks, recreation, and cultural	590,081	-	-	1,685,292	2,275,373
Community development	914,428	-	-	123,498	1,037,926
Nondepartmental	1,284,415	-	-	-	1,284,415
Capital projects	-	-	5,105,645	-	5,105,645
Debt service:					
Principal retirement	-	-	3,186,024	-	3,186,024
Interest and other fiscal charges	-	-	2,100,120	-	2,100,120
Bond issuance costs	-	-	23,600	-	23,600
Total expenditures	<u>40,524,119</u>	<u>4,418,327</u>	<u>10,415,389</u>	<u>1,815,554</u>	<u>57,173,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,349,714</u>	<u>(756,007)</u>	<u>(6,302,458)</u>	<u>(1,426,854)</u>	<u>(1,135,605)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	434,272	3,437,400	1,345,700	5,217,372
Operating transfers out	(5,217,372)	-	-	-	(5,217,372)
Proceeds from capital leases	-	-	1,280,852	-	1,280,852
Total other financing sources (uses), net	<u>(5,217,372)</u>	<u>434,272</u>	<u>4,718,252</u>	<u>1,345,700</u>	<u>1,280,852</u>
Net change in fund balances	2,132,342	(321,735)	(1,584,206)	(81,154)	145,247
Fund balance - beginning (Restated see Note 16)	12,438,697	321,735	15,510,379	169,494	28,440,305
Fund balance - ending	<u>\$ 14,571,039</u>	<u>\$ -</u>	<u>\$ 13,926,173</u>	<u>\$ 88,340</u>	<u>\$ 28,585,552</u>

City of Hopewell, Virginia
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2016

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

Net change in fund balances per Exhibit 5 - total governmental funds \$ 145,247

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, net of dispositions of \$8,012	\$ 4,542,690	
Jointly-owned assets adjustment	(1,908,361)	
Depreciation expense	<u>(2,963,452)</u>	(329,123)

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

Property taxes	160,571
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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 position. Also, governmental funds report the effect of 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	13,986	
Principal payments on debt	3,186,024	
Proceeds from capital lease	(1,280,852)	
Amortization of deferred amount of refunding	(173,658)	
Increase in landfill closure liability	<u>(5,334)</u>	1,740,166

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.

Increase in interest payable	31,281	
Increase in other postemployment benefit payable	(748,831)	
Increase in net pension liability	(1,840,610)	
Increase in pension related deferred outflows	48,327	
Increase in pension related deferred inflows	2,376,819	
Decrease in compensated absences	<u>137,696</u>	<u>4,682</u>

Change in Net Position of Governmental Activities \$ 1,721,543

City of Hopewell, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-Type Activities - Enterprise Funds					
	Hopewell Regional Wastewater Treatment Facilities Fund	Sewer Service Fund	Solid Waste Fund	Storm Water Fund	Beacon Theatre Fund	Total
Assets						
Current assets:						
Cash and investments	\$ 7,007,261	\$ 14,965,526	\$ 1,792,236	\$ 642,790	\$ -	\$ 24,407,813
Accounts receivable, net of allowance for uncollectibles	5,534,430	1,024,321	149,085	183,816	-	6,891,652
Due from Commonwealth of Virginia	2,183,069	-	-	-	-	2,183,069
Notes receivable	-	55,369	-	-	-	55,369
Interest receivable	-	10,684	10	3	-	10,697
Inventories	1,044,940	-	-	-	-	1,044,940
Prepaid expenses	-	-	-	-	10,991	10,991
Total current assets	<u>15,769,700</u>	<u>16,055,900</u>	<u>1,941,331</u>	<u>826,609</u>	<u>10,991</u>	<u>34,604,531</u>
Noncurrent assets:						
Restricted assets:						
Cash and investments	3,137,978	3,575,435	-	-	-	6,713,413
Total restricted assets	<u>3,137,978</u>	<u>3,575,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,713,413</u>
Note receivable, net of current portion	-	2,856,200	-	-	-	2,856,200
Capital assets:						
Land	216,026	97,920	-	-	284,473	598,419
Utility plant in service and buildings	5,097,556	501,878	-	-	5,661,851	11,261,285
Sewer main and storm water improvements	5,751,837	37,644,234	-	30,155	-	43,426,226
Machinery and equipment	53,924,058	1,354,433	51,075	20,090	375,502	55,725,158
Work in progress	65,321,054	114,916	-	225,305	-	65,661,275
Accumulated depreciation	<u>(62,032,972)</u>	<u>(9,744,131)</u>	<u>(30,134)</u>	<u>(2,469)</u>	<u>(573,091)</u>	<u>(72,382,797)</u>
Total capital assets	<u>68,277,559</u>	<u>29,969,250</u>	<u>20,941</u>	<u>273,081</u>	<u>5,748,735</u>	<u>104,289,566</u>
Total noncurrent assets	<u>71,415,537</u>	<u>36,400,885</u>	<u>20,941</u>	<u>273,081</u>	<u>5,748,735</u>	<u>113,859,179</u>
Total assets	<u>87,185,237</u>	<u>52,456,785</u>	<u>1,962,272</u>	<u>1,099,690</u>	<u>5,759,726</u>	<u>148,463,710</u>
Deferred outflow of resources						
Loss on refunding	31,518	-	-	-	-	31,518
Pensions	365,343	54,790	233	72,773	-	493,139
Total deferred outflow of resources	<u>396,861</u>	<u>54,790</u>	<u>233</u>	<u>72,773</u>	<u>-</u>	<u>524,657</u>
Liabilities						
Current liabilities:						
Accounts payable	557,029	163,360	112,085	22,121	-	854,595
Accrued liabilities	5,296,910	6,851	927	4,492	49,483	5,358,663
Refund credits payable	730,847	-	-	-	-	730,847
Accrued interest payable	94,499	518,093	-	-	-	612,592
Due to other funds	27,500	-	-	-	-	27,500
Compensated absences	18,287	1,721	109	430	-	20,547
Due to Appomattox Regional Library System	-	-	-	-	20	20
Bonds payable	900,000	505,000	-	-	-	1,405,000
Total current liabilities	<u>7,625,072</u>	<u>1,195,025</u>	<u>113,121</u>	<u>27,043</u>	<u>49,503</u>	<u>9,009,764</u>
Noncurrent liabilities:						
Bonds payable, net of current portion	11,930,823	24,420,332	-	-	-	36,351,155
Net pension liability	2,965,531	413,363	2,164	54,276	-	3,435,334
OPEB liability	1,166,099	133,503	38,133	2,549	-	1,340,284
Compensated absences, net of current portion	163,978	15,489	978	3,867	-	184,312
Total noncurrent liabilities	<u>16,226,431</u>	<u>24,982,687</u>	<u>41,275</u>	<u>60,692</u>	<u>-</u>	<u>41,311,085</u>
Total liabilities	<u>23,851,503</u>	<u>26,177,712</u>	<u>154,396</u>	<u>87,735</u>	<u>49,503</u>	<u>50,320,849</u>
Deferred inflow of resources						
Pensions	352,944	49,197	66,886	6,460	-	475,487
Total deferred inflows of resources	<u>352,944</u>	<u>49,197</u>	<u>66,886</u>	<u>6,460</u>	<u>-</u>	<u>475,487</u>
Net position						
Net investment in capital assets	57,676,414	6,630,753	20,941	273,081	5,748,735	70,349,924
Restricted	908,300	2,020,118	-	-	-	2,928,418
Unrestricted	4,792,937	17,633,795	1,720,282	805,187	(38,512)	24,913,689
Total net position	<u>\$ 63,377,651</u>	<u>\$ 26,284,666</u>	<u>\$ 1,741,223</u>	<u>\$ 1,078,268</u>	<u>\$ 5,710,223</u>	<u>\$ 98,192,031</u>

City of Hopewell, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

Business-Type Activities - Enterprise Funds

	Hopewell Regional Wastewater Treatment Facilities Fund	Sewer Service Fund	Solid Waste Fund	Storm Water Fund	Beacon Theatre Fund	Total
OPERATING REVENUES						
Charges for services:						
Wastewater treatment revenues	\$ 16,211,416	\$ -	\$ -	\$ -	\$ -	\$ 16,211,416
Sewer revenues	-	8,336,903	-	-	-	8,336,903
Refuse collection	-	-	1,634,126	-	-	1,634,126
Fees	-	-	-	628,685	-	628,685
Rental income	-	-	-	-	763,708	763,708
Total operating revenues	<u>16,211,416</u>	<u>8,336,903</u>	<u>1,634,126</u>	<u>628,685</u>	<u>763,708</u>	<u>27,574,838</u>
OPERATING EXPENSES						
Personnel services	2,929,651	385,380	24,205	57,095	696,155	4,092,486
Fringe benefits	1,009,769	132,497	28,225	4,528	-	1,175,019
Contractual services	657,258	2,381,729	1,292,823	260,479	169,741	4,762,030
Administrative services	6,213	-	-	336	2,523	9,072
Materials and supplies	145,240	87,733	6,623	35,123	41,152	315,871
Repairs and maintenance	232,602	344,004	825	5,534	9,219	592,184
Utilities	1,873,432	117,397	19,142	-	26,641	2,036,612
Fuel	5,281	7,205	808	-	-	13,294
Insurance	-	-	-	-	10,892	10,892
Chemicals	2,365,334	-	-	-	-	2,365,334
Miscellaneous	279,855	1,315,441	765	8,344	221,100	1,825,505
Depreciation	806,236	1,622,337	10,215	2,469	199,124	2,640,381
Total operating expenses	<u>10,310,871</u>	<u>6,393,723</u>	<u>1,383,631</u>	<u>373,908</u>	<u>1,376,547</u>	<u>19,838,680</u>
Operating income (loss)	<u>5,900,545</u>	<u>1,943,180</u>	<u>250,495</u>	<u>254,777</u>	<u>(612,839)</u>	<u>7,736,158</u>
NONOPERATING REVENUES (EXPENSES)						
Investment earnings	17,408	301,039	18	5	-	318,470
Governmental grants	21,811,801	-	-	-	-	21,811,801
Interest expense	(358,924)	(1,105,625)	-	-	-	(1,464,549)
Total nonoperating revenues (expenses), net	<u>21,470,285</u>	<u>(804,586)</u>	<u>18</u>	<u>5</u>	<u>-</u>	<u>20,665,722</u>
Income (loss) before contributions and transfers	<u>27,370,830</u>	<u>1,138,594</u>	<u>250,513</u>	<u>254,782</u>	<u>(612,839)</u>	<u>28,401,880</u>
Capital contributions	13,305,001	-	-	-	95,000	13,400,001
Total contributions and transfers, net	<u>13,305,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,000</u>	<u>13,400,001</u>
Change in net position	40,675,831	1,138,594	250,513	254,782	(517,839)	41,801,881
Total net position - beginning (Restated see Note 16)	22,701,820	25,146,072	1,490,710	823,486	6,228,062	56,390,150
Total net position - ending	<u>\$ 63,377,651</u>	<u>\$ 26,284,666</u>	<u>\$ 1,741,223</u>	<u>\$ 1,078,268</u>	<u>\$ 5,710,223</u>	<u>\$ 98,192,031</u>

City of Hopewell, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds					Total
	Hopewell Regional Wastewater Treatment Facilities Fund	Sewer Service Fund	Solid Waste Fund	Storm Water Fund	Beacon Theatre Fund	
Cash flows from operating activities						
Receipts from customers and users	\$ 11,636,154	\$ 9,479,039	\$ 1,688,917	\$ 444,866	\$ 772,644	\$ 24,021,620
Payments to suppliers	(5,687,898)	(4,283,162)	(1,259,198)	(409,434)	(443,248)	(12,082,940)
Payments to employees	(4,036,495)	(522,123)	(47,084)	(62,321)	(698,008)	(5,366,031)
Net cash provided by (used in) operating activities	<u>1,911,761</u>	<u>4,673,754</u>	<u>382,635</u>	<u>(26,889)</u>	<u>(368,612)</u>	<u>6,572,649</u>
Cash flow from noncapital financing activities						
Due to other funds	27,500	-	-	-	-	27,500
Net cash provided by noncapital financing activities	<u>27,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,500</u>
Cash flows from capital and related financing activities						
Purchase of capital assets	(40,240,003)	(1,469,905)	-	(275,549)	(44,724)	(42,030,181)
Capital contributions and grants	34,648,390	-	-	-	95,000	34,743,390
Debt issuance	5,445,000	-	-	-	-	5,445,000
Principal payments on bonds and refunding	(6,030,000)	(495,000)	-	-	-	(6,525,000)
Interest payments	(425,799)	(1,147,666)	-	-	-	(1,573,465)
Net cash provided by (used in) capital and related financing activities	<u>(6,602,412)</u>	<u>(3,112,571)</u>	<u>-</u>	<u>(275,549)</u>	<u>50,276</u>	<u>(9,940,256)</u>
Cash flows from investing activities						
Interest and dividends received	17,408	290,407	21	8	-	307,844
Purchase of investments	-	(3,973,748)	-	-	-	(3,973,748)
Sale of investments	-	3,945,407	-	-	-	3,945,407
Principal payments received on notes receivable	-	52,682	-	-	-	52,682
Net cash provided by investing activities	<u>17,408</u>	<u>314,748</u>	<u>21</u>	<u>8</u>	<u>-</u>	<u>332,185</u>
Net increase (decrease) in cash and investments	<u>(4,645,743)</u>	<u>1,875,931</u>	<u>382,656</u>	<u>(302,430)</u>	<u>(318,336)</u>	<u>(3,007,922)</u>
Cash and investments - beginning, including restricted	<u>14,790,982</u>	<u>11,529,291</u>	<u>1,409,580</u>	<u>945,220</u>	<u>318,336</u>	<u>28,993,409</u>
Cash and investments - ending, including restricted	<u>\$ 10,145,239</u>	<u>\$ 13,405,222</u>	<u>\$ 1,792,236</u>	<u>\$ 642,790</u>	<u>\$ -</u>	<u>\$ 25,985,487</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 5,900,545	\$ 1,943,180	\$ 250,495	\$ 254,777	\$ (612,839)	\$ 7,736,158
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	806,236	1,622,337	10,215	2,469	199,124	2,640,381
Pension related	56,351	2,295	9,418	(12,037)	-	56,027
Other	-	-	-	2,549	-	2,549
(Increase) decrease in accounts receivable	(2,982,860)	1,142,136	54,791	(183,819)	-	(1,969,752)
(Increase) decrease in inventories	(75,625)	-	-	-	-	(75,625)
Increase (decrease) in accounts payable and accrued liabilities	(200,484)	(36,194)	57,716	(90,828)	45,103	(224,687)
Increase (decrease) in refunds payable	(1,025,234)	-	-	-	-	(1,025,234)
Increase (decrease) in unearned revenues	(567,168)	-	-	-	-	(567,168)
Total adjustments	<u>(3,988,784)</u>	<u>2,730,574</u>	<u>132,140</u>	<u>(281,666)</u>	<u>244,227</u>	<u>(1,163,509)</u>
Net cash provided by (used in) operating activities	<u>\$ 1,911,761</u>	<u>\$ 4,673,754</u>	<u>\$ 382,635</u>	<u>\$ (26,889)</u>	<u>\$ (368,612)</u>	<u>\$ 6,572,649</u>

City of Hopewell, Virginia
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2016

	Agency Funds
Assets	
Cash and cash equivalents	\$ 90,663
Total assets	\$ 90,663
Liabilities	
Amounts held for others	\$ 90,663
Total liabilities	\$ 90,663

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

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 and 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 Children’s 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 sections 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, 2016

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 included among program revenues as they are not levied for a particular program.

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

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a Primary Government’s reporting entity for the basic financial statements is financial accountability wherein the entity is both fiscally dependent on the Primary Government and provides either a benefit or creates a burden on the Primary Government. These financial statements present the City (Primary Government) and its component units. Each discretely presented component unit is reported in a separate column to emphasize that these units are legally separate from the City and each represents a functionally independent operation. These component units are fiscally dependent on the City and provide services primarily to the citizens of Hopewell.

B. Component Units

Blended:

During fiscal year 2012, the City formed a non-stock corporation named Beacon Theatre 2012 Manager Inc. (“Beacon”), which it owns 100%, to hold, construct, rehabilitate, manage, and operate the Beacon Theatre. Beacon Theatre 2012 Manager Inc. formed an LLC named Beacon Theatre 2012 LLC (“LLC”), which owns 99% of the LLC with the other 1% to be owned by future tax credit partner(s) when tax credits are sold. As the City appoints all members of the Beacon Theatre 2012 LLC Board of Directors, and the two entities have a financial benefit/burden relationship, the Beacon Theatre 2012 LLC is reported as a blended proprietary enterprise component unit of the City. 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

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

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

C. Other Related Organizations

Joint Ventures - The City is a participant with six other localities in a joint venture to operate the Riverside Regional Jail Authority (the "Authority"). The Authority is governed by a seven-member board comprised of one appointee from each locality. Each locality is obligated by contract to house its inmate population with the Authority up to its authorized slots. The City does not retain a financial interest in the Authority. The City provided funding in the amount of \$2,129,520 during fiscal year 2016.

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 \$576,081 to the Library for fiscal year 2016. 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 2016 to these entities. The City also participates with six other localities in the Crater Youth Care Commission and provided funding in the amount of \$334,673 during fiscal year 2016.

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, 2016 are Economic Development Authority and Hopewell Redevelopment and Housing Authority.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

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

The accompanying financial statements are prepared in accordance with 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 60 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 60 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, 2016

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

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

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

Capital Projects Fund - The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds.

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

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

3. Fiduciary Funds - (Trust and Agency Funds) - These funds account for assets held by the City unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The City's fiduciary funds are the Special Welfare Fund, Healthy Families Fund, and Police Evidence Fund, (each agency funds), which utilize the accrual basis of accounting, and are not included in the government-wide financial statements. The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

E. Cash and Cash Equivalents

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

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

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

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 uncollectible accounts. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$173,500 at June 30, 2016 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 at estimated acquisition 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, 2016

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

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

I. Deferred Outflows and Inflows of Resources

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

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

J. Compensated Absences

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

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

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

L. Use of Estimates

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

M. Fund Balance

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

- **Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (e.g., inventory) or (b) legally or contractually required to be maintained intact (e.g., long-term amount of loans/note receivable). The noncurrent portion of the Capital Projects Fund's Due from School Board is offset equally by nonspendable fund balance to indicate that the asset does not constitute an expendable available financial resource and, therefore, is not available for appropriation.
- **Restricted Fund Balance** – This classification includes amounts that are restricted to specific purposes by external parties, constitutional provisions, or imposed by creditors (e.g., bond covenants).
- **Committed Fund Balance** – This portion of fund balance can only be used for specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council, before the close of the fiscal year and by majority vote of the City Council. Any changes or removal of specific purpose requires majority action by the governing body.
- **Assigned Fund Balance** – The portion of fund balance that the City intends to use for specific purposes as expressed by the governing body itself, the budget document, or delegated official, the City Manager. Fund balances in the General Fund are assigned by resolution of the City Council. For all government funds except the General Fund, assigned fund balances represent the amount that is not committed, restricted, or nonspendable. Specifically, the Rainy Day Emergency/Stabilization Reserve was approved by Council in 2003 and was created by segregating a portion of the General Fund Unassigned Fund Balance. The purpose of this reserve is to provide an easy mechanism to tap reserves to address temporary revenue shortfalls resulting from temporary circumstances (e.g. economic cycles, weather-related emergencies, etc.). The City Council set the target at 10% of the next fiscal year's General Fund budget appropriation. The Rainy Day Emergency/Stabilization Reserve may be used in its entirety with City Council approval; however, replenishing the reserve will constitute the first priority for use of year-end fund balance in the General Fund.
- **Unassigned Fund Balance** – The portion of the fund balance available for any purpose. Includes all spendable amounts not classified as nonspendable, restricted, committed, or assigned. The General Fund is the only fund that would report a positive amount in the unassigned fund balance.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

N. Net Position

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

O. Long-Term Obligations

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

P. Inventory

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

Q. Restricted Assets

The City reported restricted assets on the Balance Sheet in a governmental fund and Statement of Net Position of the proprietary funds of \$9,775,518 and \$6,713,413 respectively that represents bond proceeds that have not been spent at June 30, 2016 in accordance with the terms of the bond.

Note 2—Deposits and Investments

A. Deposits

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

B. Investments

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

C. Credit Risk of Debt Securities

The City's rated debt investments as of June 30, 2016 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.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

D. External Investment Pools

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

City’s Rated Debt Investment Values

Investment Type	Total	Fair Quality Ratings				
		AAA	AAAm	AA	AA+	AA-
LGIP	\$ 15,245,233	\$ -	\$ 15,245,233	\$ -	\$ -	\$ -
SNAP	16,488,930	-	16,488,930	-	-	-
U.S. Government Issues	4,632,509	-	-	-	4,632,509	-
Corporate Bonds	503,230	-	-	236,950	-	266,280
Total	\$ 36,869,902	\$ -	\$ 31,734,163	\$ 236,950	\$ 4,632,509	\$ 266,280

Investment Type	Investment Maturities (in Years)		
	Fair Value	Less than 1	
		Year	1-5 Years
U.S. Government Issues	\$ 4,632,509	\$ 1,958,703	\$ 2,673,806
Corporate Bonds	503,230	277,263	225,967
Total	\$ 5,135,739	\$ 2,235,966	\$ 2,899,773

E. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2016:

- Corporate Bonds of \$.50 million are valued using quoted market prices (Level 1 inputs)
- U.S. Government Issues of \$4.6 million are valued using a matrix pricing model (Level 2 inputs).

F. Interest Rate Risk

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

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

Note 3—Due from Other Governments

At June 30, 2016, the City had receivables from other governments as follows:

	General Fund	VPA Fund	Capital Projects Fund	CDBG Fund	HRWTF Fund	Primary Government	Component Units School Board	CSA Board
Commonwealth of Virginia:								
Local sales tax	\$ 354,339	\$ -		\$ -	\$ -	\$ 354,339	\$ -	\$ -
Communications tax	133,300	-		-	-	133,300	-	-
E-911 wireless funds	9,057	-		-	-	9,057	-	-
VPA funds	-	287,903		-	-	287,903	-	-
State sales tax	-	-		-	-	-	703,973	-
Consumption and utility tax	45,924	-		-	-	45,924	-	-
Department of Environmental Quality	-	-		-	2,183,069	2,183,069	-	-
Constitutional officer reimbursements	96,479	-		-	-	96,479	-	-
Court fines and fees	132,757	-		-	-	132,757	-	-
Railroad rolling stock tax	23,941	-		-	-	23,941	-	-
DMV rental tax	2,077	-		-	-	2,077	-	-
Children's Services Act Board	-	-		-	-	-	-	591,053
Federal Government:								
Community development block grants	-	-		57,510	-	57,510	-	-
School fund grants	-	-		-	-	-	2,697,492	-
Hopewell Economic Development Authority								
	-	-	400,000	-	-	400,000	-	-
Total due from other governments	<u>\$ 797,874</u>	<u>\$ 287,903</u>	<u>\$ 400,000</u>	<u>\$ 57,510</u>	<u>\$ 2,183,069</u>	<u>\$ 3,726,356</u>	<u>\$ 3,401,465</u>	<u>\$ 591,053</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

Note 4—Interfund Obligations

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, 2016 the due to and from funds are as follows:

Receivable Fund	Payable Fund	Amount
Virginia Public Assistance Fund	General Fund	\$ 114,358
General Fund	Capital Projects Fund	2,049,673
General Fund	Virginia Public Assistance Fund	321,735
Capital Projects Fund	HRWTF	27,500
Capital Projects Fund	Other Governmental Funds - CDBG	343,106
		<u>\$ 2,856,372</u>

Note: Represents the reclass of cash deficits in the nonmajor governmental funds to Due To the the General Fund and a reduction of cash in the General Fund. Amounts owed to the Capital Projects were for expenditures that were paid on behalf of the other funds.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

Note 5—Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015 (restated)	Increase	Decrease	Balance June 30, 2016
Government Activities:				
Capital assets not subject to depreciation:				
Land	\$ 6,776,914	\$ 389,221	\$ -	\$ 7,166,135
Work in progress	2,796,846	2,794,033	-	5,590,879
Total capital assets not subject to depreciation	<u>9,573,760</u>	<u>3,183,254</u>	<u>-</u>	<u>12,757,014</u>
Capital assets subject to depreciation:				
Buildings, improvements, and infrastructure	44,673,157	746,638	(12,540)	45,407,255
Machinery and equipment	11,580,258	620,810	(274,256)	11,926,812
Jointly-ow ned assets	35,211,850	-	(2,570,635)	32,641,215
Total capital assets being depreciated	<u>91,465,265</u>	<u>1,367,448</u>	<u>(2,857,431)</u>	<u>89,975,282</u>
Less accumulated depreciation for:				
Buildings, improvements, and infrastructure	(17,240,432)	(1,462,588)	4,528	(18,698,492)
Machinery and equipment	(7,717,198)	(822,300)	274,256	(8,265,242)
Jointly-ow ned assets	(8,393,085)	(678,564)	662,274	(8,409,375)
Total accumulated depreciation	<u>(33,350,715)</u>	<u>(2,963,452)</u>	<u>941,058</u>	<u>(35,373,109)</u>
Total capital assets being depreciated, net	<u>58,114,550</u>	<u>(1,596,004)</u>	<u>(1,916,373)</u>	<u>54,602,173</u>
Capital assets, net	<u>\$ 67,688,310</u>	<u>\$ 1,587,250</u>	<u>\$ (1,916,373)</u>	<u>\$ 67,359,187</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

Component Unit - School Board	Balance July 1, 2015 (restated)	Increase	Decrease	Balance June 30, 2016
Government Activities:				
Capital assets not subject to depreciation:				
Land	\$ 474,629	\$ -	\$ -	\$ 474,629
Total capital assets not subject to depreciation	<u>474,629</u>	<u>-</u>	<u>-</u>	<u>474,629</u>
Capital assets subject to depreciation:				
Buildings and improvements	63,039,717	333,886	-	63,373,603
Machinery and equipment	7,382,732	653,693	(16,998)	8,019,427
Jointly-owned assets	(35,211,850)	-	2,570,635	(32,641,215)
Total capital assets being depreciated	<u>35,210,599</u>	<u>987,579</u>	<u>2,553,637</u>	<u>38,751,815</u>
Less accumulated depreciation for:				
Buildings and improvements	(17,389,496)	(1,364,342)	-	(18,753,838)
Machinery and equipment	(3,526,049)	(437,327)	16,498	(3,946,878)
Jointly-owned assets	8,393,085	678,564	(662,274)	8,409,375
Total accumulated depreciation	<u>(12,522,460)</u>	<u>(1,123,105)</u>	<u>(645,776)</u>	<u>(14,291,341)</u>
Total capital assets being depreciated, net	<u>22,688,139</u>	<u>(135,526)</u>	<u>1,907,861</u>	<u>24,460,474</u>
Capital assets, net	<u>\$ 23,162,768</u>	<u>\$ (135,526)</u>	<u>\$ 1,907,861</u>	<u>\$ 24,935,103</u>

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

General government administration	\$ 511,113
Judicial administration	291,131
Public safety	395,306
Public works	824,486
Health and welfare	118,110
Education	678,564
Parks, recreation, and cultural	144,742
Total governmental activities	<u>\$ 2,963,452</u>

Component Unit: School Board \$ 1,123,105

Under Section 15 of *The Code of Virginia 1950*, as amended, local governments have a “tenancy in common” with the School Board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the City for the year ended June 30, 2016, is School-financed assets in the amount of \$24,231,840 being reported by the Primary Government for financial reporting purposes.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

A summary of changes in proprietary fund capital assets for the year ended June 30, 2016 follows:

HRWTF	Balance July 1, 2015 (restated)	Increase	Decrease	Balance June 30, 2016
Capital assets not subject to depreciation:				
Land	\$ 216,026	\$ -	\$ -	\$ 216,026
Construction in progress	24,258,779	41,062,275	-	65,321,054
Total capital assets not subject to depreciation	<u>24,474,805</u>	<u>41,062,275</u>	<u>-</u>	<u>65,537,080</u>
Capital assets subject to depreciation:				
Utility plant in service	10,177,158	672,235	-	10,849,393
Machinery and equipment	53,898,332	59,526	(33,800)	53,924,058
Total capital assets being depreciated	<u>64,075,490</u>	<u>731,761</u>	<u>(33,800)</u>	<u>64,773,451</u>
Less accumulated depreciation for:				
Utility plant in service	(9,223,806)	(56,899)	-	(9,280,705)
Machinery and equipment	(52,031,097)	(749,337)	28,167	(52,752,267)
Total accumulated depreciation	<u>(61,254,903)</u>	<u>(806,236)</u>	<u>28,167</u>	<u>(62,032,972)</u>
Total capital assets being depreciated, net	<u>2,820,587</u>	<u>(74,475)</u>	<u>(5,633)</u>	<u>2,740,479</u>
HRWTF Fund capital assets, net	<u>\$ 27,295,392</u>	<u>\$ 40,987,800</u>	<u>\$ (5,633)</u>	<u>\$ 68,277,559</u>

Sewer Service Fund	Balance July 1, 2015 (restated)	Increase	Decrease	Balance June 30, 2016
Capital assets not subject to depreciation:				
Land	\$ 97,920	\$ -	\$ -	\$ 97,920
Work in progress	-	114,916	-	114,916
Total capital assets not subject to depreciation	<u>97,920</u>	<u>114,916</u>	<u>-</u>	<u>212,836</u>
Capital assets subject to depreciation:				
Utility plant in service	501,878	-	-	501,878
Machinery and equipment	899,308	455,125	-	1,354,433
Sewer main improvements	36,619,168	1,025,066	-	37,644,234
Total capital assets being depreciated	<u>38,020,354</u>	<u>1,480,191</u>	<u>-</u>	<u>39,500,545</u>
Less accumulated depreciation for:				
Utility plant in service	(494,152)	(2,575)	-	(496,727)
Machinery and equipment	(822,456)	(37,361)	-	(859,817)
Sewer main improvements	(6,805,186)	(1,582,401)	-	(8,387,587)
Total accumulated depreciation	<u>(8,121,794)</u>	<u>(1,622,337)</u>	<u>-</u>	<u>(9,744,131)</u>
Total capital assets being depreciated, net	<u>29,898,560</u>	<u>(142,146)</u>	<u>-</u>	<u>29,756,414</u>
Sewer Service Fund, net	<u>\$ 29,996,480</u>	<u>\$ (27,230)</u>	<u>\$ -</u>	<u>\$ 29,969,250</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

Solid Waste Fund	Balance			Balance
	July 1, 2015	Increase	Decrease	June 30, 2016
Capital assets subject to depreciation:				
Machinery and equipment	\$ 51,075	\$ -	\$ -	\$ 51,075
Less accumulated depreciation for:				
Machinery and equipment	(19,919)	(10,215)	-	(30,134)
Solid Waste Fund capital assets, net	<u>\$ 31,156</u>	<u>\$ (10,215)</u>	<u>\$ -</u>	<u>\$ 20,941</u>

Stormwater Fund	Balance			Balance
	July 1, 2015	Increase	Decrease	June 30, 2016
Capital assets not subject to depreciation:				
Work in progress	\$ -	\$ 225,305	\$ -	\$ 225,305
Total capital assets not subject to depreciation	<u>-</u>	<u>225,305</u>	<u>-</u>	<u>225,305</u>
Capital assets subject to depreciation:				
Machinery and equipment	-	20,090	-	20,090
Stormwater improvements	-	30,155	-	30,155
Total capital assets being depreciated	<u>-</u>	<u>50,245</u>	<u>-</u>	<u>50,245</u>
Less accumulated depreciation for:				
Machinery and equipment	-	(2,343)	-	(2,343)
Stormwater improvements	-	(126)	-	(126)
Total accumulated depreciation	<u>-</u>	<u>(2,469)</u>	<u>-</u>	<u>(2,469)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>47,776</u>	<u>-</u>	<u>47,776</u>
Stormwater Fund capital assets, net	<u>\$ -</u>	<u>\$ 273,081</u>	<u>\$ -</u>	<u>\$ 273,081</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

Beacon Theatre Fund	Balance			Balance
	July 1, 2015	Increase	Decrease	June 30, 2016
Capital assets not subject to depreciation:				
Land	\$ 284,473	\$ -	\$ -	\$ 284,473
Total capital assets not subject to depreciation	<u>284,473</u>	<u>-</u>	<u>-</u>	<u>284,473</u>
Capital assets subject to depreciation:				
Buildings	5,661,851	-	-	5,661,851
Machinery and equipment	330,777	44,725	-	375,502
Total capital assets being depreciated	<u>5,992,628</u>	<u>44,725</u>	<u>-</u>	<u>6,037,353</u>
Less accumulated depreciation for:				
Buildings	(295,697)	(133,590)	-	(429,287)
Machinery and equipment	(78,270)	(65,534)	-	(143,804)
Total accumulated depreciation	<u>(373,967)</u>	<u>(199,124)</u>	<u>-</u>	<u>(573,091)</u>
 Total capital assets being depreciated, net	 <u>5,618,661</u>	 <u>(154,399)</u>	 <u>-</u>	 <u>5,464,262</u>
 Beacon Theatre Fund capital assets, net	 <u>\$ 5,903,134</u>	 <u>\$ (154,399)</u>	 <u>\$ -</u>	 <u>\$ 5,748,735</u>

Note 6—Interfund Transfers

Interfund transfer for the year ended June 30, 2016 consisted of the following:

Transfer Out	Transfer in	Purpose	Amount
General Fund	Virginia Public Assistance Fund	Local Share	\$ 434,272
General Fund	Recreation Fund	Budgetary Transfer	1,345,700
General Fund	Capital Projects Fund	Budgetary Transfer	3,437,400
Total			<u>\$5,217,372</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.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

Note 7—Long-term Obligations

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

<u>Primary Government:</u>	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Governmental Obligations:					
Incurred by City:					
General obligation bonds	\$ 37,010,075	\$ -	\$ (1,277,663)	\$ 35,732,412	\$ 911,811
Issuance premiums, net *	79,140	-	(13,986)	65,154	-
Capital Leases	-	1,280,852	-	1,280,852	138,791
Claims, judgments, and compensated absences payable	973,825	-	(137,696)	836,129	83,613
Landfill closure liability	592,626	56,922	(51,588)	597,960	-
OPEB liability	5,628,664	748,831	-	6,377,495	-
Net pension liability *	14,106,970	1,840,610	-	15,947,580	-
Total incurred by City	58,391,300	3,927,215	(1,480,933)	60,837,582	1,134,215
Incurred for School Board:					
State Literary Loans payable	2,547,600	-	(474,200)	2,073,400	474,200
General obligation bonds	23,592,601	-	(1,434,161)	22,158,440	1,657,440
Total incurred for School Board	26,140,201	-	(1,908,361)	24,231,840	2,131,640
Total Governmental Obligations	\$ 84,531,501	\$ 3,927,215	\$ (3,389,294)	\$ 85,069,422	\$ 3,265,855
Enterprise Obligations:					
Revenue bonds payable	\$ 38,210,000	\$ 5,445,000	\$ (6,525,000)	\$ 37,130,000	\$ 1,405,000
Issuance premium	658,519	-	(32,364)	626,155	-
Claims, judgments, and compensated absences payable	261,198	-	(56,339)	204,859	20,547
OPEB liability	1,178,975	161,309	-	1,340,284	-
Net pension liability *	2,962,258	473,076	-	3,435,334	-
Total Enterprise Obligations	\$ 43,270,950	\$ 6,079,385	\$ (6,613,703)	\$ 42,736,632	\$ 1,425,547

* See Footnote 13 for further discussion.

Component Unit School Board:

The following is a summary of long-term debt transactions of the Component Unit School Board for the year ended June 30, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Claims, judgments and compensated absences payable	\$ 649,862	\$ 272,530	\$ -	\$ 922,392	\$ 220,435
OPEB liability	1,221,055	137,686	-	1,358,741	-
Net pension liability *	39,221,111	1,535,305	-	40,756,416	-
Note Payable to the City	1,605,705	-	(110,432)	1,495,273	115,591
	\$ 42,697,733	\$ 1,945,521	\$ (110,432)	\$ 44,532,822	\$ 336,026

Amounts are payable from the School Operating Fund.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

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
2017	\$ 911,811	\$ 1,174,292
2018	1,081,466	1,140,045
2019	1,238,697	1,094,938
2020	1,546,003	1,040,894
2021	1,497,011	983,084
2022-2026	9,919,572	3,926,887
2027-2031	10,719,215	2,237,249
2032-2036	7,423,637	699,055
2037-2039	1,395,000	52,813
Total	<u>\$ 35,732,412</u>	<u>\$ 12,349,257</u>

Year Ending June 30	School Obligations			
	State Literary Fund Loans		General Obligation Bonds Payable	
	Principal	Interest	Principal	Interest
2017	\$ 474,200	\$ 41,468	\$ 1,657,440	\$ 1,038,080
2018	474,200	31,984	1,549,785	1,015,345
2019	375,000	22,500	1,560,088	994,472
2020	375,000	15,000	1,675,870	970,723
2021	375,000	7,500	1,730,499	944,594
2022-2026	-	-	8,238,919	4,316,026
2027-2031	-	-	3,454,476	1,320,915
2032-2036	-	-	2,291,363	229,346
Total	<u>\$ 2,073,400</u>	<u>\$ 118,452</u>	<u>\$ 22,158,440</u>	<u>\$ 10,829,501</u>

Year Ending June 30	Enterprise Obligations	
	Revenue Bonds Payable	
	Principal	Interest
2017	\$ 1,405,000	\$ 1,495,787
2018	1,440,000	1,468,901
2019	1,460,000	1,438,631
2020	1,500,000	1,403,302
2021	1,530,000	1,363,065
2022-2026	7,065,000	6,129,250
2027-2031	4,815,000	4,928,716
2032-2036	6,115,000	3,622,188
2037-2041	7,780,000	1,941,713
2042-2045	4,020,000	236,616
Total	<u>\$ 37,130,000</u>	<u>\$ 24,028,169</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

Primary Government Capital Leases

During the fiscal year 2016, the City entered into a noncancellable master tax exempt lease purchase agreement for equipment. The cost of equipment purchased during the year was \$1,257,252. At June 30, 2016, the equipment had not been placed in service.

Fiscal Year Ending June 30,	Governmental Activities
2017	\$ 162,414
2018	162,145
2019	162,414
2020	162,415
2021	162,414
2022-2023	572,607
Total minimum lease payments	1,384,409
less amounts representing interest	(103,827)
Present value of minimum lease payments	<u>\$ 1,280,582</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

Primary Government : (Continued)

Details of long-term indebtedness are as follows:

General Obligations:

Incurred for City:

General Obligation Bonds:

\$13,730,000 general obligation public improvement bond Series 2008A, payable in various annual installments through July 15, 2034; interest payable semi-annually at 4.63%.	\$ 2,655,000
\$4,480,000 general obligation public improvement bond, Series 2008B, payable in various annual installments through July 15, 2034; interest payable semi-annually at 5.25%.	3,415,000
\$5,000,000 general obligation payable Series 2009A, payable in various semi-annual installments through July 15, 2034; interest payable semi-annually at various coupon rates from 3.00% to 5.88%.	1,155,000
\$2,155,000 general obligation payable Series 2009B, payable in various semi-annual installments through July 15, 2034; interest payable semi-annually at various coupon rates from 4.00% to 5.00%.	2,155,000
\$2,380,000 general obligation payable Series 2011, payable in various semi-annual installments through May 1, 2022; interest payable semi-annually at various coupon rates from 2.00% to 3.75%.	495,000
\$2,265,000 general obligation payable Series 2013A, payable in various annual installments through May 15, 2028; interest payable semi-annually at 2.10%.	895,000
\$895,000 general obligation payable Series 2013B, payable in various semi-annual installments through July 15, 2028; interest payable semi-annually at 3.63%.	2,265,000
\$7,700,000 general obligation payable Series 2013C, payable in various semi-annual installments through July 15, 2038; interest payable semi-annually at 2.50%.	7,680,000
\$2,500,000 general obligation payable Series 2015A, payable in various annual installments through January 15, 2030; interest payable semi-annually at 2.275%.	2,345,317
\$12,955,075 general obligation payable Series 2015B, payable in various annual installments through July 15, 2034; interest payable semi-annually at 2.87%.	12,672,095
	<hr/>
Total General Obligation Bonds	35,732,412
Issuance premium	65,154
Landfill closure liability (payable from the General Fund)	597,960
Compensated absences (payable from the General Fund)	836,129
OPEB liability (payable from the General Fund)	6,377,495
Net pension liability (payable from the General Fund)	15,947,580
	<hr/>
Total Incurred for City	<u>\$ 59,556,730</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

Primary Government : (Continued)

Details of long-term indebtedness are as follows: (Continued)

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%.	\$ 20,900
\$939,000 State Literary Fund Loan issued September 26, 1997, due in annual installments of \$46,950 through 2017; interest payable annually at 2%.	93,900
\$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%.	23,900
\$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%.	59,700
\$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%.	1,875,000
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Total State Literary Fund Loans	2,073,400
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Virginia Public School Authority (VPSA) Subsidy and Other Bonds:

\$4,862,705 VPSA Subsidy Bonds issued 2001, due in annual installments of varying amounts through 2021; interest payable annually at varying rates 3.10% - 5.35%.	1,708,363
\$858,896 VPSA Subsidy Bonds issued in 2005, due in annual installments of varying amounts through 2025; interest payable annually at varying rates 4.60% - 5.10%.	482,170
\$2,800,000 General Obligation Qualified Zone Academy Bond issued in 2009, due in annual installments of \$186,667 through 2024; interest payable annually at 1.83%.	1,155,000
\$7,635,000 VPSA Subsidy Bonds issued 2010, due in annual installments of varying amounts through June 1, 2027; interest payable semi-annually at 0.092%.	6,260,000
\$5,000,000 general obligation payable Series 2009A, payable in various semi-annual installments through July 15, 2034; interest payable semi-annually at various coupon rates from 3.00% to 5.87%.	1,680,000
\$5,000,000 VPSA Subsidy Bonds issued 2011, due in annual installments of varying amounts through June 1, 2027; interest payable semi-annually at 4.50%.	4,500,002
\$2,700,000 General Obligation issued in 2011, due in annual installments of varying amounts through June 20, 2036; interest payable semi-annually at 2.00% - 5.00%.	2,700,000
\$3,754,925 General Obligation payable Series 2015B split with the City, due in annual installments of varying amounts through July 15, 2034; interest payable semi-annually at 2.87%.	3,672,905
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Total Virginia Public Authority School Subsidy and Other Bonds	22,158,440
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Total Incurred for School Board	\$ 24,231,840
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CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

Primary Government : (Continued)

Details of long-term indebtedness are as follows: (Continued)

Enterprise Obligations:

Revenue Bond Obligations:

\$5,445,000 Series 2015, revenue refunding bond payable in various annual installments through October 1, 2026; interest payable semi-annually at 0.97% - 3.37%.	\$ 5,445,000
\$5,675,000 Series 2014, revenue bond payable in various annual installments through October 1, 2044; interest payable semi-annually at 2.00% - 4.00%.	5,560,000
\$2,790,000 revenue bond issued August 1, 2012, payable in various annual installments through October 1, 2021; interest payable semi-annually at varying rates 2.135% - 2.38%.	1,820,000
\$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%.	17,935,000
\$3,385,000 Sewer System bond issued December 7, 2011, payable in various annual installments through July 15, 2022; interest payable semi-annually at 1.25% - 3.75%.	2,455,000
\$4,160,000 Sewer System revenue bond issued December 2, 2010, payable in various annual installments through July 15, 2025; interest payable semi-annually at 2.88% - 3.38%.	<u>3,915,000</u>
Total Revenue Bond Obligations	37,130,000
Issuance premium	626,155
Compensated absences (Payable from the Enterprise Funds)	204,859
OPEB liability (Payable from the Enterprise Funds)	1,340,284
Net pension liability (Payable from the Enterprise Funds)	<u>3,435,334</u>
Total Enterprise Obligations	<u><u>\$ 42,736,632</u></u>

On November 18, 2015, the City issued a \$5,445,000 Taxable Sewer System Revenue Refunding Bond, Series 2015, with a true interest cost of 3.413%. The City issued a refunding bond to advance refund a portion of the City's outstanding Series 2005 Sewer System Revenue Bond, as well as to pay the costs of issuance associated with this transaction. The City issued this refunding bond in order to reduce its annual debt service expenditures. Due to the refunding, overall aggregate debt service payments were reduced by \$399,838. In addition, this resulted in an economic gain of \$350,949.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

Note 8—Reporting Entity Transactions

During fiscal year 2012, City Council approved a budget resolution to advance the School Board \$1,912,428 for energy conservation improvements. The School Board will repay the City over 15 years. The effective interest rate on the loan is 8.7%. At June 30, 2016, \$1,495,273 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 \$597,960. The total current cost of landfill post closure care is an estimate subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

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

Note 10—Unearned and Unavailable Revenues

Unearned revenues represent amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Unavailable revenues are resource inflows that represent amounts earned, but which are not available to liquidate liabilities of the current period. Unearned revenues and unavailable revenues reported in governmental funds were comprised of the following:

Tax Type	Unavailable Revenue	Unearned Revenue	Total
General Fund			
Real Estate Tax	\$ 1,242,397	\$ 7,504,837	\$ 8,747,234
Personal Property	652,353	-	652,353
Machinery & Tools Tax	184,419	3,701,146	3,885,565
	<u>\$ 2,079,169</u>	<u>\$ 11,205,983</u>	<u>\$ 13,285,152</u>

Note 11—Commitments, Contingencies, and Subsequent Event

Federal programs in which the City and all discretely presented component units participate were audited in accordance with the provisions of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, all major programs will be tested for compliance with applicable grant requirements and reported upon under separate reporting. Even if no matters of noncompliance are disclosed by audit, the Federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

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

Note 12—Litigation

At June 30, 2016, there were no matters of litigation involving the City or which would materially affect the City’s financial position should any court decisions on pending matters not be favorable to such entities.

Note 13—Pension Plans

A. Plan Description

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

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

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members").</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. <p>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</p>
<p><u>Eligible Members</u> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p><u>Eligible Members</u> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p><u>Eligible Members</u> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 – April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

<p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	
<p><u>Retirement Contributions</u> Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. The School Board elected to phase in the required 5% member contribution; all employees have paid the full 5% by July 1, 2014. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><u>Retirement Contributions</u> Same as VRS Plan 1.</p>	<p><u>Retirement Contributions</u> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and employer to both the defined benefit and defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><u>Creditable Service</u> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><u>Creditable Service</u> Same as Plan 1.</p>	<p><u>Creditable Service</u> Defined Benefit Component: Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

		<p>Defined Contributions Component: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p><u>Vesting</u> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><u>Vesting</u> Same as Plan 1.</p>	<p><u>Vesting</u> Defined Benefit Component: Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p>Defined Contributions Component: Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

		<ul style="list-style-type: none"> After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p><u>Calculating the Benefit</u> The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><u>Calculating the Benefit</u> See definition under Plan 1.</p>	<p><u>Calculating the Benefit</u> Defined Benefit Component: See definition under Plan 1.</p> <p>Defined Contribution Component: The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p><u>Average Final Compensation</u> A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><u>Average Final Compensation</u> A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><u>Average Final Compensation</u> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><u>Service Retirement Multiplier</u> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.</p>	<p><u>Service Retirement Multiplier</u> Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p><u>Service Retirement Multiplier</u> Defined Benefit Component: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Defined Contribution Component: Not Applicable.</p>
<p><u>Normal Retirement Age</u> Age 65.</p>	<p><u>Normal Retirement Age</u> Normal Social Security retirement age.</p>	<p><u>Normal Retirement Age</u> Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component:</p>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

		Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<u>Earliest Unreduced Retirement Eligibility</u> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	<u>Earliest Unreduced Retirement Eligibility</u> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.	<u>Earliest Unreduced Retirement Eligibility</u> Defined Benefit Component: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<u>Earliest Reduced Retirement Eligibility</u> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	<u>Earliest Reduced Retirement Eligibility</u> Age 60 with at least five years (60 months) of creditable service.	<u>Earliest Unreduced Retirement Eligibility</u> Defined Benefit Component: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<u>Cost-of-Living Adjustment (COLA) in Retirement</u> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. <u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1	<u>Cost-of-Living Adjustment (COLA) in Retirement</u> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. <u>Eligibility:</u> Same as Plan 1	<u>Cost-of-Living Adjustment (COLA) in Retirement</u> Defined Benefit Component: Same as Plan 2. Defined Contribution Component: Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

<p>after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><u>Disability Coverage</u> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><u>Disability Coverage</u> Employees of political subdivision and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members, which the School Board has elected to provide. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p><u>Purchase of Prior Service</u> Members may be eligible to purchase service from previous</p>	<p><u>Purchase of Prior Service</u> Same as Plan 1.</p>	<p><u>Purchase of Prior Service Defined Benefit Component:</u></p>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

<p>public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>		<p>Same as VRS Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the highest of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost. <p>Defined Contribution Component: Not applicable.</p>
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B. Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	City	Schools - Nonprofessional
Inactive members:		
Receiving benefits	274	63
Vested inactive members	48	8
Non-vested inactive members	86	47
Active elsewhere in VRS	161	17
Total inactive members	569	135
Active Members	331	94
Total covered employees	900	229

C. Contributions

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

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

VRS Retirement Plan

The City's contractually required contribution rate for the year ended June 30, 2016 was 12.36% of covered employee compensation. The School Board's non-professional plan contractually required contribution rate for the year ended June 30, 2016 was 11.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the City's plan and the School Board's non-professional plan were 12.36% and 11.95%, respectively.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$2,009,066 and \$2,023,774 for the years ended June 30, 2016 and June 30, 2015, respectively, and contributions to the pension plan from the School Board's non-professional plan were \$210,721 and \$213,125 for the years ended June 30, 2016 and June 30, 2015, respectively.

VRS Teacher Retirement Plan

Each School Board's professional plan contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the school division were \$3,303,324 and \$3,362,153 for the years ended June 30, 2016 and June 30, 2015, respectively.

D. Net Pension Liability

VRS Retirement Plan

The City's and School Board's nonprofessional plan net pension liability was measured as of June 30, 2015. The Total Pension Liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

VRS Teacher Retirement Plan

At June 30, 2016, the School Board professional plan reported a liability of \$39,253,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. There were no changes in assumptions or benefit terms since the prior measurement period. There were no changes between the measurement date of the collective net pension liability and the School Board's reporting date. The School Board's

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the School Board's proportion was .31187 % as compared to .31383% at June 30, 2014.

E. Actuarial Assumptions – General Employees

The total pension liability for the City and School Board was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, which were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012, and applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

General City Employees:

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

Public Safety Employees:

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

Teacher Plan Employees:

- Pre-Retirement: RP-2000 Employee Mortality Table with Scale AA to 2020 with males set back 3 years and females set back 5 years.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions for the VRS Local Plans as a result of the experience study include updating mortality tables; decreasing rates of service retirement; decreasing rates of disability retirement; reducing rates of salary increases by 0.25% per year and increasing rates of withdrawals for 3 through 9 years of service.

- Largest 10 –LEOS:
 - Update mortality table
 - Decrease in male rates of disability
- All Others (Non 10 Largest) – LEOS:
 - Update mortality table
 - Adjustments to rates of service retirement for females
 - Increase in rates of withdrawal
 - Decrease in male and female rates of disability

F. Long-Term Expected Rate of Return

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

Asset Class	Target Allocation	VRS Plans	
		Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	(1.50)%	(.02)%
Total	100.00%		5.83%
Inflation			2.50%
**Expected arithmetic nominal return			8.33%

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

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

G. Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the Long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

H. Changes in Net Pension Liability

	City		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2014	\$ 101,718,886	\$ 84,649,658	\$ 17,069,228
Changes for the Year:			
Service cost	1,881,386	-	1,881,386
Interest	6,920,166	-	6,920,166
Difference between expected and actual experience	120,211	-	120,211
Contributions - employer	-	2,023,775	(2,023,775)
Contributions - employee	-	844,447	(844,447)
Net investment income	-	3,794,786	(3,794,786)
Benefit payments including refunds of employee contributions	(5,718,746)	(5,718,746)	-
Administrative expense	-	(54,133)	54,133
Other changes	-	(798)	798
Net Changes	3,203,017	889,331	2,313,686
Balances at June 30, 2015	\$ 104,921,903	\$ 85,538,989	\$ 19,382,914

	School Board - Nonprofessional		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2014	\$ 7,939,484	\$ 6,644,373	\$ 1,295,111
Changes for the Year:			
Service cost	202,475	-	202,475
Interest	534,282	-	534,282
Difference between expected and actual experience	62,210	-	62,210
Contributions - employer	-	213,125	(213,125)
Contributions - employee	-	88,419	(88,419)
Net investment income	-	293,446	(293,446)
Benefit payments including refunds of employee contributions	(613,765)	(613,765)	-
Administrative expense	-	(4,268)	4,268
Other changes	-	(60)	60
Net Changes	185,202	(23,103)	208,305
Balances at June 30, 2015	\$ 8,124,686	\$ 6,621,270	\$ 1,503,416

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

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City Net Pension Liability	\$ 32,138,535	\$ 19,382,914	\$ 8,709,895
School Board – Nonprofessional Net Pension Liability	\$ 2,341,126	\$ 1,503,416	\$ 789,450
School Board – Professional Net Pension Liability	\$ 57,443,000	\$ 39,253,000	\$ 24,279,000

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

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

VRS Retirement Plan

For the year ended June 30, 2016, the City and School Board nonprofessional plan recognized pension expense of \$1,321,714 and \$148,730, respectively. At June 30, 2016, the City and School Board nonprofessional plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 82,527	\$ -
Net difference between projected and actual earnings on pension plan investments.	-	2,306,863
Difference in proportion	122,435	122,435
Employer contributions subsequent to the measurement date	2,009,066	-
Total	\$ 2,214,028	\$ 2,429,298

	School Board - Nonprofessional	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 41,404	\$ -
Net difference between projected and actual earnings on pension plan investments.	-	180,030
Employer contributions subsequent to the measurement date	210,721	-
Total	\$ 252,125	\$ 180,030

\$2,009,066 and \$210,721 reported as deferred outflows of resources related to pensions resulting from the City and School Board, respectively, nonprofessional plans' contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	School Board -	
	City	Nonprofessional
2017	\$ (866,537)	\$ (49,909)
2018	(866,537)	(50,117)
2019	(897,061)	(70,717)
2020	405,799	32,117
	\$ (2,224,336)	\$ (138,626)

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

VRS Teacher Retirement Plan

For the year ended June 30, 2016, the School Board professional plan recognized pension expense of \$2,648,000. At June 30, 2016, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board - Professional	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments.	\$ -	\$ 2,944,000
Change in proportion and differences between employer contributions and proportionate share of contributions	-	822,000
Employer contributions subsequent to the measurement date	3,303,324	-
Total	\$ 3,303,324	\$ 3,766,000

\$3,303,224 reported as deferred outflows of resources related to pensions resulting from the School Board professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>School Board - Professional</u>
2017	\$ 1,291,000
2018	1,291,000
2019	1,291,000
2020	(187,000)
2021	80,000
	\$ 3,766,000

K. Pension Plan Fiduciary Net Position

Detailed information about the VRS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 14—Surety Bonds

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

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

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

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

Note 15—Postemployment Benefits Other Than Pensions

Plan Description

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

Funding Policy

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

Group

- A. Hired before July 1, 2003 and retired before January 1, 2004 with at least 15 years of service
- B. Hired before July 1, 2003 and retired after January 1, 2004 with at least 15 years of service
- C. Hired on or after July 1, 2004 with at least 11 years of service
- D. Hired on or after July 1, 2008 with at least 5 years of service

<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	2016 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.										
			<table border="0"> <thead> <tr> <th><u>Years of Service</u></th> <th><u>Percentage of Premium</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0 - 10</td> <td style="text-align: center;">0%</td> </tr> <tr> <td style="text-align: center;">11</td> <td style="text-align: center;">40%</td> </tr> <tr> <td style="text-align: center;">16 - 20</td> <td style="text-align: center;">60%</td> </tr> <tr> <td style="text-align: center;">21</td> <td style="text-align: center;">80%</td> </tr> </tbody> </table>	<u>Years of Service</u>	<u>Percentage of Premium</u>	0 - 10	0%	11	40%	16 - 20	60%	21	80%
<u>Years of Service</u>	<u>Percentage of Premium</u>												
0 - 10	0%												
11	40%												
16 - 20	60%												
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D	Varies	N/A	Percentage of City contribution for a single active employee based on years of services. See table below:										
			<table border="0"> <thead> <tr> <th><u>Years of Service</u></th> <th><u>Percentage of Premium</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0 - 5</td> <td style="text-align: center;">\$ 50 per month</td> </tr> <tr> <td style="text-align: center;">6 - 10</td> <td style="text-align: center;">\$100 per month</td> </tr> <tr> <td style="text-align: center;">11 - 20</td> <td style="text-align: center;">\$150 per month</td> </tr> <tr> <td style="text-align: center;">21</td> <td style="text-align: center;">\$200 per month</td> </tr> </tbody> </table>	<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
<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												

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

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.

The City has 68 retirees without spouse coverage and 31 retirees with spouse coverage participating in the plan.

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 69 retirees without spouse coverage, 40 retirees with spouse coverage and 2 retirees with child coverage on their plan.

Annual OPEB Cost and Net OPEB Obligation

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

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

	Primary Government	Component Unit School Board
Annual Required Contribution	\$ 1,493,600	\$ 272,100
Interest on Net OPEB obligation	238,267	42,737
Adjustment to annual required contribution	(251,727)	(45,151)
Annual OPEB cost (expense)	<u>1,480,140</u>	<u>269,686</u>
Contributions made	(570,000)	(132,000)
Increase in net OPEB obligation	910,140	137,686
Net OPEB obligation - beginning of year	6,807,639	1,221,055
Net OPEB obligation - end of year	<u>\$ 7,717,779</u>	<u>\$ 1,358,741</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

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, 2016	\$ 1,480,140	38.51%	\$ 7,717,779
June 30, 2015	1,420,384	37.88%	6,807,639
June 30, 2014	1,121,075	46.32%	5,925,355
June 30, 2013	1,079,866	39.36%	5,323,549
School Board:			
June 30, 2016	\$ 269,686	48.95%	\$ 1,358,741
June 30, 2015	260,217	55.07%	1,221,055
June 30, 2014	344,304	57.86%	1,104,138
June 30, 2013	330,178	42.61%	959,034

Funded Status and Funding Progress

As of June 30, 2016, the City's actuarial accrued liability for benefits was \$16,739,000 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$16,787,600 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 99.71%.

As of June 30, 2016, the School Board's actuarial accrued liability for benefits was \$2,994,800 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$22,015,900 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.60%.

City:

Actuarial accrued liability for benefits:	\$ 16,739,000
Covered Payroll of active employees:	\$ 16,787,600
UAAL % of Covered Payroll	99.71%

Schools:

Actuarial accrued liability for benefits:	\$ 2,994,800
Covered Payroll of active employees:	\$ 22,015,900
UAAL % of Covered Payroll	13.60%

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

Methods and Assumptions

Pension and postemployment benefits plan funding requirements are based on the benefits provided under the terms of the plan in effect at the time of each annual valuation and on the pattern of sharing between the employer and the plan member at that point. Projections of benefits for financial reporting

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

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

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

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

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

Additionally, the following simplifying assumptions were made:

- *Retirement Age for Active Employees* - Retirement age was estimated based on tables used for the VRS State Employees valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.
- *Mortality* - Life expectancies were based on mortality tables from the 1994 Group Annuity Mortality Tables for males and females with a one year setback in pre-retirement for males and females.
- *Inflation* - The assumed inflation rate is 2.5%.
- *Coverage Elections* - The actuary assumed that 70% of current actives of the Hopewell City Public Schools will elect medical coverage when they retire and that 30% of retirees who elect coverage will cover a spouse. The actuary assumed that 70% of current actives of the City of Hopewell will elect medical coverage when they retire and that 30% of retirees who elect coverage will cover a spouse.
- *Investment Rate of Return* - Based on the historical and expected returns of the City and School Board's short-term investment portfolio, a discount of 3.50% was used. In addition, the projected unit credit actuarial cost method was used.
- *Other Assumptions* include:
 - Payroll increases of 3.00% per year.

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

- Health Care Cost Trend of:
 - Pre-65: 5.20% in 2016, 6.20% in 2016, and 7.00% in 2017, then graded to 4.40% over 73 years
 - Post-65: 6.20% in 2016, 6.80% in 2016, and 7.10% in 2017, then graded to 4.60% over 78 years 7.00% graded to 4.80% over 80 years.
- The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a remaining amortization period at June 30, 2016 of 30 years

Note 16—Restatements

The City and School Board restated certain prior year balances after identifying instances during 2016 where activities in the previous fiscal years were inaccurately recorded in the general ledger and issued financial statements as follows:

Government-wide	Governmental Activities	Business-Type Activities	Component Unit School Board
Net position, June 30, 2015, previously reported	\$ 15,217,073	\$ 52,986,461	\$ (17,012,875)
Capital assets reported in error	342,941	(1,189,611)	(2,272,292)
Prior period error - Grant cutoff	-	-	678,564
Prior period error - Surplus due City	-	-	(1,054,944)
Accrued amounts due to the Commonwealth of Virginia for disallowed amounts in CSA in prior years	(1,457,242)	-	-
Correct amounts due from CDBG in error	686,250	-	-
Correct prior years Federal receivable	(343,106)	-	-
Correct for prior bond issuance costs /principal payments	(133,461)	-	-
Correct prior year cash balance	(130,894)	-	-
Prior year advance restated to contribution	(4,593,300)	4,593,300	-
Prior year School surplus due City	3,157,177	-	-
Balance, as restated, June 30, 2015	<u>\$ 12,745,438</u>	<u>\$ 56,390,150</u>	<u>\$ (19,661,547)</u>
Proprietary Funds	HRWTF	Sewer Service	Beacon Theatre
Net position, June 30, 2015, previously reported	\$ 23,618,077	\$ 25,419,426	\$ 1,634,762
Prior year CIP correction	(1,016,284)	-	-
Prior year depreciable asset correction	114,627	-	-
Prior year depreciation adjustment	(14,600)	(273,354)	-
Prior year advance restated to contribution	-	-	4,593,300
Balance, as restated, June 30, 2015	<u>\$ 22,701,820</u>	<u>\$ 25,146,072</u>	<u>\$ 6,228,062</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

HRWTF	Balance Previously Reported June 30, 2015	Adjustment	Balance Restated June 30, 2015
Capital assets not subject to depreciation:			
Land	\$ 216,026	\$ -	\$ 216,026
Construction in progress	21,612,104	2,646,675	24,258,779
Total capital assets not subject to depreciation	<u>21,828,130</u>	<u>2,646,675</u>	<u>24,474,805</u>
Capital assets subject to depreciation:			
Utility plant in service	10,503,236	(326,078)	10,177,158
Machinery and equipment	53,457,629	440,703	53,898,332
Total capital assets being depreciated	<u>63,960,865</u>	<u>114,625</u>	<u>64,075,490</u>
Less accumulated depreciation for:			
Utility plant in service	(8,917,522)	(306,284)	(9,223,806)
Machinery and equipment	<u>(52,322,782)</u>	<u>291,684</u>	<u>(52,031,098)</u>
Total accumulated depreciation	<u>(61,240,304)</u>	<u>(14,600)</u>	<u>(61,254,904)</u>
Total capital assets being depreciated, net	<u>2,720,561</u>	<u>100,025</u>	<u>2,820,586</u>
HRWTF Fund capital assets, net	<u>\$ 24,548,691</u>	<u>\$ 2,746,700</u>	<u>\$ 27,295,391</u>
	Balance Previously Reported June 30, 2015	Adjustment	Balance Restated June 30, 2015
Sewer Service Fund			
Capital assets not subject to depreciation:			
Land	\$ 97,920	\$ -	\$ 97,920
Total capital assets not subject to depreciation	<u>97,920</u>	<u>-</u>	<u>97,920</u>
Capital assets subject to depreciation:			
Utility plant in service	501,878	-	501,878
Machinery and equipment	899,308	-	899,308
Sewer main improvements	36,619,168	-	36,619,168
Total capital assets being depreciated	<u>38,020,354</u>	<u>-</u>	<u>38,020,354</u>
Less accumulated depreciation for:			
Utility plant in service	(494,152)	-	(494,152)
Machinery and equipment	(822,456)	-	(822,456)
Sewer main improvements	<u>(6,531,832)</u>	<u>(273,354)</u>	<u>(6,805,186)</u>
Total accumulated depreciation	<u>(7,848,440)</u>	<u>(273,354)</u>	<u>(8,121,794)</u>
Total capital assets being depreciated, net	<u>30,171,914</u>	<u>(273,354)</u>	<u>29,898,560</u>
Sewer Service Fund, net	<u>\$ 30,269,834</u>	<u>\$ (273,354)</u>	<u>\$ 29,996,480</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

	Balance Previously Reported June 30, 2015	Adjustment	Balance Restated June 30, 2015
Government Activities:			
Capital assets not subject to depreciation:			
Land	\$ 6,622,991	\$ 153,923	\$ 6,776,914
Work in progress	2,796,846	-	2,796,846
Total capital assets not subject to depreciation	<u>9,419,837</u>	<u>153,923</u>	<u>9,573,760</u>
Capital assets subject to depreciation:			
Buildings, improvements, and infrastructure	44,912,364	(239,207)	44,673,157
Machinery and equipment	11,565,335	14,923	11,580,258
Jointly-owned assets	33,877,224	1,334,626	35,211,850
Total capital assets being depreciated	<u>90,354,923</u>	<u>1,110,342</u>	<u>91,465,265</u>
Less accumulated depreciation for:			
Buildings, improvements, and infrastructure	(16,584,454)	(655,978)	(17,240,432)
Machinery and equipment	(8,129,260)	412,062	(7,717,198)
Jointly-owned assets	(7,715,677)	(677,408)	(8,393,085)
Total accumulated depreciation	<u>(32,429,391)</u>	<u>(921,324)</u>	<u>(33,350,715)</u>
Total capital assets being depreciated, net	<u>57,925,532</u>	<u>189,018</u>	<u>58,114,550</u>
Capital assets, net	<u>\$ 67,345,369</u>	<u>\$ 342,941</u>	<u>\$ 67,688,310</u>
Component Unit - School Board			
Government Activities:			
Capital assets not subject to depreciation:			
Land	\$ 474,629	\$ -	\$ 474,629
Total capital assets not subject to depreciation	<u>474,629</u>	<u>-</u>	<u>474,629</u>
Capital assets subject to depreciation:			
Buildings and improvements	62,970,849	68,868	63,039,717
Machinery and equipment	7,451,600	(68,868)	7,382,732
Jointly-owned assets	(33,877,224)	(1,334,626)	(35,211,850)
Total capital assets being depreciated	<u>36,545,225</u>	<u>(1,334,626)</u>	<u>35,210,599</u>
Less accumulated depreciation for:			
Buildings and improvements	(15,354,652)	(2,034,844)	(17,389,496)
Machinery and equipment	(3,945,819)	419,770	(3,526,049)
Jointly-owned assets	7,715,677	677,408	8,393,085
Total accumulated depreciation	<u>(11,584,794)</u>	<u>(937,666)</u>	<u>(12,522,460)</u>
Total capital assets being depreciated, net	<u>24,960,431</u>	<u>(2,272,292)</u>	<u>22,688,139</u>
Capital assets, net	<u>\$ 25,435,060</u>	<u>\$ (2,272,292)</u>	<u>\$ 23,162,768</u>

CITY OF HOPEWELL, VIRGINIA
Notes to Financial Statements
June 30, 2016

Governmental Fund	General Fund	Capital Projects	Other Governmental Funds - CDBG	Total
Fund Balance, June 30, 2015, previously reported	\$ 10,824,003	\$ 20,024,928	\$ (85,279)	\$ 30,763,652
Accrued amounts due to the Commonwealth of Virginia for disallowed amounts in CSA in prior years	(1,457,242)	-	-	(1,457,242)
Correct amounts due from CDBG in error	(85,241)	343,106	428,385	686,250
Correct prior years Federal receivable	-	-	(343,106)	(343,106)
Correct for prior bond issuance costs/Principal payments	-	(133,461)	-	(133,461)
Correct prior year cash balance	-	(130,894)	-	(130,894)
Prior year advance restated to contribution	-	(4,593,300)	-	(4,593,300)
Prior year school surplus due City	3,157,177	-	-	3,157,177
Fund Balance, as restated, June 30, 2015	<u>\$ 12,438,697</u>	<u>\$ 15,510,379</u>	<u>\$ -</u>	<u>\$ 27,949,076</u>

Discretely Presented Component Unit-School Board	Building and Bus Replacement Fund
Fund Balance, June 30, 2015, previously reported	\$ 1,672,312
Prior year error-Surplus due City	(1,054,944)
Fund Balance, as restated, June 30, 2015	<u>\$ 617,368</u>

REQUIRED SUPPLEMENTARY INFORMATION

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City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
General property taxes	\$ 29,846,100	\$ 29,846,100	\$ 31,060,801	\$ 1,214,701
Other local taxes	5,892,100	5,892,100	6,299,591	407,491
Permits, privilege fees, and regulatory licenses	146,500	146,500	205,552	59,052
Fines and forfeitures	1,651,000	1,651,000	1,173,179	(477,821)
Revenues from use of money and property	51,000	51,000	66,786	15,786
Charges for services	674,300	674,300	587,626	(86,674)
Miscellaneous	2,558,000	2,650,997	1,330,239	(1,320,758)
Recovered costs	-	-	382,500	382,500
Intergovernmental revenues:				
Commonwealth	5,144,100	5,240,140	6,679,606	1,439,466
Federal	254,500	268,445	87,953	(180,492)
Total revenues	<u>46,217,600</u>	<u>46,420,582</u>	<u>47,873,833</u>	<u>1,453,251</u>
EXPENDITURES				
Current:				
General government administration	4,496,161	4,695,357	4,542,624	152,733
Judicial administration	2,691,946	2,722,550	2,400,080	322,470
Public safety	13,934,913	14,132,132	13,624,877	507,255
Public works	4,570,176	4,680,434	4,404,590	275,844
Health and welfare	1,308,199	1,389,580	1,354,237	35,343
Education	13,749,500	13,749,500	11,408,787	2,340,713
Parks, recreation, and cultural	590,081	590,081	590,081	-
Community development	784,224	870,058	914,428	(44,370)
Nondepartmental	1,241,000	1,490,184	1,284,415	205,769
Total expenditures	<u>43,366,200</u>	<u>44,319,876</u>	<u>40,524,119</u>	<u>3,795,757</u>
Excess of revenues over expenditures	2,851,400	2,100,706	7,349,714	5,249,008
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,002,000	1,002,000	-	(1,002,000)
Operating transfers out	(5,586,400)	(6,128,800)	(5,217,372)	911,428
Total other financing sources (uses), net	<u>(4,584,400)</u>	<u>(5,126,800)</u>	<u>(5,217,372)</u>	<u>(90,572)</u>
Net change in fund balances	(1,733,000)	(3,026,094)	2,132,342	5,158,436
Fund balances - beginning (Restated see Note 16)	14,016,804	11,936,677	12,438,697	502,020
Fund balances - ending	<u>\$ 12,283,804</u>	<u>\$ 8,910,583</u>	<u>\$ 14,571,039</u>	<u>\$ 5,660,456</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, 2016

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Commonwealth	\$ 1,163,100	\$ 1,163,100	\$ 1,190,570	\$ 27,470
Federal	2,129,602	2,129,602	2,438,054	308,452
Revenues from use of money and property	-	-	4	4
Miscellaneous	-	-	33,692	33,692
Total revenues	<u>3,292,702</u>	<u>3,292,702</u>	<u>3,662,320</u>	<u>369,618</u>
EXPENDITURES				
Current -				
Health and welfare				
Welfare and Social Services:				
Welfare Administration	1,129,430	1,129,430	1,493,063	(363,633)
Public assistance	<u>2,754,972</u>	<u>2,754,972</u>	<u>2,925,264</u>	<u>(170,292)</u>
Total expenditures	<u>3,884,402</u>	<u>3,884,402</u>	<u>4,418,327</u>	<u>(533,925)</u>
Excess (deficiency) of revenues over (under) expenditures	(591,700)	(591,700)	(756,007)	(164,307)
OTHER FINANCING SOURCES				
Operating transfers in	<u>591,700</u>	<u>591,700</u>	<u>434,272</u>	<u>(157,428)</u>
Total other financing sources	<u>591,700</u>	<u>591,700</u>	<u>434,272</u>	<u>(157,428)</u>
Net change in fund balances	-	-	(321,735)	(321,735)
Fund balances - beginning	-	-	321,735	321,735
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Hopewell, Virginia
Schedule of Changes in City's Net Pension Liability and Related Ratios
For the Year Ended June 30, 2016

	2016	2015
Total Pension Liability		
Service cost	\$ 1,881,386	\$ 1,860,421
Interest	6,920,166	6,707,497
Difference between expected and actual experience	120,211	-
Benefit payments, including refunds of employee contributions	(5,718,746)	(5,340,826)
Net change in total pension liability	3,203,017	3,227,092
Plan total pension liability - beginning	101,718,886	98,491,794
Plan total pension liability - ending	<u>\$ 104,921,903</u>	<u>\$ 101,718,886</u>
Plan fiduciary net position		
Contributions - employer	\$ 2,023,775	\$ 1,649,427
Contributions - employee	844,447	799,011
Net investment income	3,794,786	11,756,144
Benefit payments, including refunds of employee contributions	(5,718,746)	(5,340,826)
Administrative expense	(54,133)	(65,207)
Other	(798)	620
Net change in plan fiduciary net position	889,331	8,799,169
Plan fiduciary net position - beginning	84,649,658	75,850,489
Plan fiduciary net position - ending	<u>\$ 85,538,989</u>	<u>\$ 84,649,658</u>
Total net pension liability - ending	<u>\$ 19,382,914</u>	<u>\$ 17,069,228</u>
Plan fiduciary net position as a percentage of total pension liability	81.53%	83.22%
Covered employee payroll	\$ 16,829,672	\$ 16,746,388
Net pension liability as a percentage of covered employee payroll	115.17%	101.93%
Employer Contributions		
Contractually required contribution	\$ 2,009,066	\$ 2,023,774
Contributions in relation to contractually required contribution	2,009,066	2,023,774
Contribution excess	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 16,829,672	\$ 16,746,388
Contributions as a percentage of covered employee payroll	11.94%	12.08%

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

City of Hopewell, Virginia
Schedule of Changes in School Board's Nonprofessional Net Pension
Liability and Related Ratios
For the Year Ended June 30, 2016

	2016	2015
Total Pension Liability		
Service cost	\$ 202,475	\$ 185,137
Interest	534,282	524,469
Difference between expected and actual experience	62,210	-
Benefit payments, including refunds of employee contributions	(613,765)	(525,083)
Net change in total pension liability	185,202	184,523
Plan total pension liability - beginning	7,939,484	7,754,961
Plan total pension liability - ending	<u>\$ 8,124,686</u>	<u>\$ 7,939,484</u>
Plan fiduciary net position		
Contributions - employer	\$ 213,125	\$ 159,179
Contributions - employee	88,419	88,108
Net investment income	293,446	924,453
Benefit payments, including refunds of employee contributions	(613,765)	(525,083)
Administrative expense	(4,268)	(5,167)
Other	(60)	48
Net change in plan fiduciary net position	(23,103)	641,538
Plan fiduciary net position - beginning	6,644,373	6,002,835
Plan fiduciary net position - ending	<u>\$ 6,621,270</u>	<u>\$ 6,644,373</u>
Total net pension liability - ending	<u>\$ 1,503,416</u>	<u>\$ 1,295,111</u>
Plan fiduciary net position as a percentage of total pension liability	81.50%	83.69%
Covered employee payroll	\$ 1,786,898	\$ 1,761,986
Net pension liability as a percentage of covered employee payroll	84.14%	73.50%
Employer Contributions		
Contractually required contribution	\$ 210,721	\$ 213,125
Contributions in relation to contractually required contribution	210,721	213,125
Contribution excess	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,786,898	\$ 1,761,986
Contributions as a percentage of covered employee payroll	11.79%	12.10%

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

City of Hopewell, Virginia
Schedule of Employer's Proportionate Share of Net Pension Liability -
School Board Professional Retirement Plan
For the Year Ended June 30, 2016

	2016	2015
Proportionate of the net pension liability	0.31187%	0.31383%
Proportionate share of the net pension liability	\$ 39,253,000	\$ 37,926,000
Covered employee payroll	23,121,517	22,938,444
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.90%	60.48%
Plan fiduciary net position as a percentage of the total pension liability	70.87%	70.88%

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

Employer Contributions

Contractually required contribution	\$ 3,303,324	\$ 3,362,153
Contributions in relation to contractually required contribution	3,303,324	3,362,153
Contribution excess	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 23,121,517	\$ 22,938,444
Contributions as a percentage of covered employee payroll	14.29%	14.66%

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

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) AAL (UAAL) (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:

6/30/2015	\$	-	\$ 16,739,300	\$ 16,739,300	0.00%	\$ 16,787,600	99.71%
6/30/2013		-	15,563,800	15,563,800	0.00%	15,493,900	100.45%
6/30/2011		-	14,363,300	14,363,300	0.00%	14,355,500	100.05%
6/30/2008		-	20,991,293	20,991,293	0.00%	14,588,852	143.89%

Discretely Presented Component Unit:

School Health Plan

6/30/2015	\$	-	\$ 2,994,800	\$ 2,994,800	0.00%	\$ 22,015,900	13.60%
6/30/2013		-	3,216,300	3,216,300	0.00%	23,136,200	13.90%
6/30/2011		-	4,495,400	4,495,400	0.00%	24,583,200	18.29%
6/30/2008		-	3,377,368	3,377,368	0.00%	22,193,161	15.22%

City of Hopewell, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

Budgetary Data

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

1. The City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least 60 days prior to the beginning of such fiscal year.
2. A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. After a public hearing, the City Council may change any item in the budget (other than debt service or items required by law). A budget resolution must be adopted by the City Council prior to June 30 or as soon thereafter as is practicable.
3. The City utilizes the budget resolution as a budgetary control whereby City Council adopts budgets for estimated revenues and expenditures on a departmental basis for the General Fund and Special Revenue Funds. Capital Projects Funds are budgeted on a project-length basis. Adopted budgets may be amended or superseded by action of City Council.
4. Appropriation control is maintained at the function level within individual funds. Appropriations lapse at year end. Encumbrances and reserved fund balances outstanding at year-end are re-appropriated in the succeeding year. Several supplemental appropriations were necessary during the fiscal year.
5. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Key Pension Assumptions

Actuarial cost method – Entry age normal cost method

Amortization method and period – Level percent closed, 30 years

Inflation rate – 2.5%

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

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

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OTHER SUPPLEMENTARY INFORMATION

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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, 2016

	Final Budget	Actual	Variance with Final Positive (Negative)
REVENUES			
Other local taxes	\$ 2,550,000	\$ 2,620,804	\$ 70,804
Intergovernmental revenues:			
Commonwealth	819,000	656,514	(162,486)
Commonwealth	-	587,550	587,550
Revenues from use of money and property	15,500	43,587	28,087
Miscellaneous	310,000	204,476	(105,524)
Total revenues	<u>3,694,500</u>	<u>4,112,931</u>	<u>418,431</u>
EXPENDITURES			
Education	20,000	-	20,000
Capital projects	14,182,430	5,105,645	9,076,785
Debt service:			
Principal retirement	2,387,534	3,186,024	(798,490)
Interest and other fiscal charges	1,587,466	2,100,120	(512,654)
Bond issuance costs	-	23,600	(23,600)
Total expenditures	<u>18,177,430</u>	<u>10,415,389</u>	<u>7,762,041</u>
Deficiency of revenues under expenditures	<u>(14,482,930)</u>	<u>(6,302,458)</u>	<u>8,180,472</u>
OTHER FINANCING SOURCES			
Operating transfers in	3,711,400	3,437,400	(274,000)
Proceeds form capital leases	-	1,280,852	1,280,852
Total other financing sources	<u>3,711,400</u>	<u>4,718,252</u>	<u>1,006,852</u>
Net change in fund balances	(10,771,530)	(1,584,206)	9,187,324
Fund balances - beginning-(Restated see Note 16)	-	15,510,379	15,510,379
Fund balances - ending	<u>\$ (10,771,530)</u>	<u>\$ 13,926,173</u>	<u>\$ 24,697,703</u>

**City of Hopewell, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2016**

	Recreation Fund	Community Development Block Grant Fund	Anti-Litter Fund	Total
Assets				
Cash and investments	\$ 136,739	\$ 299,780	\$ 14,476	\$ 450,995
Receivables, net of allowance for uncollectibles	1,718	2	-	1,720
Due from other governments	-	57,510	-	57,510
Total assets	<u>\$ 138,457</u>	<u>\$ 357,292</u>	<u>\$ 14,476</u>	<u>\$ 510,225</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 38,122	\$ 14,186	\$ -	\$ 52,308
Accrued liabilities	26,471	-	-	26,471
Due to other funds	-	343,106	-	343,106
Total liabilities	<u>64,593</u>	<u>357,292</u>	<u>-</u>	<u>421,885</u>
Fund balances:				
Assigned	73,864	-	14,476	88,340
Total fund balances	<u>73,864</u>	<u>-</u>	<u>14,476</u>	<u>88,340</u>
Total liabilities and fund balances	<u>\$ 138,457</u>	<u>\$ 357,292</u>	<u>\$ 14,476</u>	<u>\$ 510,225</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, 2016

	Recreation Fund	Community Development Block Grant Fund	Anti-Litter Fund	Total
REVENUES				
Revenues from use of money and property	\$ 11,172	\$ 2	\$ -	\$ 11,174
Charges for services	153,249	-	-	153,249
Miscellaneous	26,537	-	-	26,537
Intergovernmental revenues:				
Commonwealth	58,358	-	6,303	64,661
Federal	9,583	123,496	-	133,079
Total revenues	<u>258,899</u>	<u>123,498</u>	<u>6,303</u>	<u>388,700</u>
EXPENDITURES				
Current:				
Public works	-	-	6,764	6,764
Parks, recreation, and cultural	1,685,292	-	-	1,685,292
Community development	-	123,498	-	123,498
Total expenditures	<u>1,685,292</u>	<u>123,498</u>	<u>6,764</u>	<u>1,815,554</u>
Deficiency of revenues under expenditures	<u>(1,426,393)</u>	<u>-</u>	<u>(461)</u>	<u>(1,426,854)</u>
OTHER FINANCING SOURCES				
Operating transfers in	1,345,700	-	-	1,345,700
Total other financing sources	<u>1,345,700</u>	<u>-</u>	<u>-</u>	<u>1,345,700</u>
Net change in fund balances	(80,693)	-	(461)	(81,154)
Fund balance - beginning	154,557	-	14,937	169,494
Fund balance - ending	<u>\$ 73,864</u>	<u>\$ -</u>	<u>\$ 14,476</u>	<u>\$ 88,340</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, 2016

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenues from use of money and property	\$ 14,400	\$ 11,172	\$ (3,228)
Charges for services	163,450	153,249	(10,201)
Miscellaneous	37,800	26,537	(11,263)
Intergovernmental revenues:			
Commonwelath	51,500	58,358	6,858
Federal	9,000	9,583	583
Total revenues	<u>276,150</u>	<u>258,899</u>	<u>(17,251)</u>
EXPENDITURES			
Current -			
Parks, recreation, and cultural	1,839,698	1,685,292	154,406
Total expenditures	<u>1,839,698</u>	<u>1,685,292</u>	<u>154,406</u>
Deficiency of revenues under expenditures	<u>(1,563,548)</u>	<u>(1,426,393)</u>	<u>137,155</u>
OTHER FINANCING SOURCES			
Operating transfers in	1,345,700	1,345,700	-
Total other financing sources	<u>1,345,700</u>	<u>1,345,700</u>	<u>-</u>
Net change in fund balances	(217,848)	(80,693)	137,155
Fund balances - beginning	-	154,557	154,557
Fund balances - ending	<u>\$ (217,848)</u>	<u>\$ 73,864</u>	<u>\$ 291,712</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Revenues from use of money and property	\$ -	\$ 2	\$ 2
Intergovernmental revenues-			
Federal	460,708	123,496	(337,212)
Total revenues	<u>460,708</u>	<u>123,498</u>	<u>(337,210)</u>
EXPENDITURES			
Current -			
Community development	460,708	123,498	337,210
Total expenditures	<u>460,708</u>	<u>123,498</u>	<u>337,210</u>
Net change in fund balances	-	-	-
Fund balances - beginning-(Restated see Note 16)	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Intergovernmental revenues -			
Commonwealth	\$ 5,000	\$ 6,303	\$ 1,303
Total revenues	<u>5,000</u>	<u>6,303</u>	<u>1,303</u>
EXPENDITURES			
Current -			
Public works	5,000	6,764	(1,764)
Total expenditures	<u>5,000</u>	<u>6,764</u>	<u>(1,764)</u>
Net change in fund balances	-	(461)	(461)
Fund balances - beginning	-	14,937	14,937
Fund balances - ending	<u>\$ -</u>	<u>\$ 14,476</u>	<u>\$ 14,476</u>

City of Hopewell, Virginia
Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016

	<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	\$ 64,151	\$ 32,676	\$ 45,689	\$ 51,138
Liabilities -				
Amounts held for social services clients	\$ 64,151	\$ 32,676	\$ 45,689	\$ 51,138
Healthy Families Fund:				
Assets -				
Cash and cash equivalents	\$ 3,913	\$ 202,881	\$ 206,794	\$ -
Liabilities -				
Amounts held for Healthy Family Funds	\$ 3,913	\$ 202,881	\$ 206,794	\$ -
Police Evidence Fund				
Assets -				
Cash and cash equivalents	\$ 29,485	\$ 10,068	\$ 28	\$ 39,525
Liabilities -				
Amounts held disposition	\$ 29,485	\$ 10,068	\$ 28	\$ 39,525
Total Agency Funds:				
Assets -				
Cash and cash equivalents	\$ 97,549	\$ 245,625	\$ 252,511	\$ 90,663
Liabilities -				
Amounts held for others	\$ 97,549	\$ 245,625	\$ 252,511	\$ 90,663

City of Hopewell, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2016

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Building and Bus Replacement Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,451,478	\$ 1,101,258	\$ 881,182	\$ 328,940	\$ 8,762,858
Receivables, net of allowance for uncollectibles	25,351	926	-	-	26,277
Due from other governmental units	3,269,403	132,062	-	-	3,401,465
Inventories	-	47,028	-	-	47,028
Total assets	<u>\$ 9,746,232</u>	<u>\$ 1,281,274</u>	<u>\$ 881,182</u>	<u>\$ 328,940</u>	<u>\$ 12,237,628</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	245,396	6,239	13,852	-	265,487
Accrued liabilities	4,344,932	95,553	-	-	4,440,485
Due to Primary Government	5,155,904	-	-	-	5,155,904
Unearned revenues	-	23,332	-	-	23,332
Total liabilities	<u>9,746,232</u>	<u>125,124</u>	<u>13,852</u>	<u>-</u>	<u>9,885,208</u>
Fund balances:					
Nonspendable	-	47,028	-	-	47,028
Restricted	-	1,109,122	-	-	1,109,122
Assigned	-	-	867,330	328,940	1,196,270
Total fund balances	<u>-</u>	<u>1,156,150</u>	<u>867,330</u>	<u>328,940</u>	<u>2,352,420</u>
Total liabilities and fund balances	<u>\$ 9,746,232</u>	<u>\$ 1,281,274</u>	<u>\$ 881,182</u>	<u>\$ 328,940</u>	<u>\$ 12,237,628</u>

Total fund balances per above \$ 2,352,420

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	\$ 39,226,444	
Less: accumulated depreciation	<u>(14,291,341)</u>	24,935,103

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	\$ (922,392)	
Net pension liability	(40,756,416)	
Deferred outflow - pension	3,555,449	
Deferred inflow - pension	(3,946,030)	
OPEB obligation	(1,358,741)	
Note payable to the Primary Government	<u>(1,495,273)</u>	<u>(44,923,403)</u>

Net position of governmental activities \$ (17,635,880)

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, 2016

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Textbook Fund</u>	<u>Building and Bus Replacement Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Revenues from use of money and property	\$ 124	\$ 8	\$ 8	\$ 9	\$ 149
Charges for services	67,608	235,313	-	-	302,921
Miscellaneous	45,977	-	110	-	46,087
Intergovernmental revenues:					
Local government	14,403,458	-	-	-	14,403,458
Commonwealth	26,386,096	39,334	296,971	-	26,722,401
Federal	4,363,665	2,393,113	-	-	6,756,778
Total revenues	<u>45,266,928</u>	<u>2,667,768</u>	<u>297,089</u>	<u>9</u>	<u>48,231,794</u>
EXPENDITURES					
Current:					
Administration	1,368,252	-	-	-	1,368,252
Instruction	34,573,426	-	225,787	-	34,799,213
Operating	9,325,250	2,480,881	-	-	11,806,131
Capital projects	-	47,243	-	288,437	335,680
Total expenditures	<u>45,266,928</u>	<u>2,528,124</u>	<u>225,787</u>	<u>288,437</u>	<u>48,309,276</u>
Net change in fund balances	-	139,644	71,302	(288,428)	(77,482)
Fund balances - beginning, as restated	-	1,016,506	796,028	617,368	2,429,902
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,156,150</u>	<u>\$ 867,330</u>	<u>\$ 328,940</u>	<u>\$ 2,352,420</u>
Net change in fund balances - total governmental funds - per above					\$ (77,482)
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				\$ 987,079	
Net change in City interest in School assets				1,908,361	
Depreciation expense				<u>(1,801,669)</u>	1,093,771
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				\$ (272,530)	
Increase in OPEB liability				(137,686)	
Decrease in pension activity				1,309,162	
Decrease in note payable to the Primary Government				<u>110,432</u>	1,009,378
Change in net position of governmental activities					<u>\$ 2,025,667</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, 2016

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ 200	\$ 200	\$ 124	\$ (76)
Charges for services	203,000	83,000	67,608	(15,392)
Miscellaneous	15,000	15,000	45,977	30,977
Intergovernmental revenues:				
Local government	16,388,887	16,388,887	14,403,458	(1,985,429)
Commonwealth	26,415,554	26,551,888	26,386,096	(165,792)
Federal	4,249,101	4,232,767	4,363,665	130,898
Total revenues	<u>47,271,742</u>	<u>47,271,742</u>	<u>45,266,928</u>	<u>(2,004,814)</u>
EXPENDITURES				
Current:				
Education	44,097,224	44,097,224	42,145,394	1,951,830
Debt service	3,174,518	3,174,518	3,121,534	52,984
Total expenditures	<u>47,271,742</u>	<u>47,271,742</u>	<u>45,266,928</u>	<u>2,004,814</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning, as restated	-	-	-	-
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, 2016

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ 600	\$ 600	\$ 8	\$ (592)
Charges for services	521,850	261,850	235,313	(26,537)
Intergovernmental revenues:				
Commonwealth	52,660	52,660	39,334	(13,326)
Federal	1,627,488	1,887,488	2,393,113	505,625
Total revenues	<u>2,202,598</u>	<u>2,202,598</u>	<u>2,667,768</u>	<u>465,170</u>
EXPENDITURES				
Current:				
Education	2,512,368	2,649,368	2,189,869	459,499
Operations and maintenance	542,722	418,222	291,012	127,210
Capital projects	87,823	75,323	47,243	28,080
Total expenditures	<u>3,142,913</u>	<u>3,142,913</u>	<u>2,528,124</u>	<u>614,789</u>
Net change in fund balance	(940,315)	(940,315)	139,644	1,079,959
Fund balance - beginning	-	-	1,016,506	1,016,506
Fund balance - ending	<u>\$ (940,315)</u>	<u>\$ (940,315)</u>	<u>\$ 1,156,150</u>	<u>\$ 2,096,465</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, 2016

	School Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ 200	\$ 200	\$ 8	\$ (192)
Miscellaneous	-	-	110	110
Intergovernmental revenues -				
Commonwealth	295,545	295,545	296,971	1,426
Total revenues	<u>295,745</u>	<u>295,745</u>	<u>297,089</u>	<u>1,344</u>
EXPENDITURES				
Current:				
Education	650,000	650,000	225,787	424,213
Total expenditures	<u>650,000</u>	<u>650,000</u>	<u>225,787</u>	<u>424,213</u>
Net change in fund balance	(354,255)	(354,255)	71,302	425,557
Fund balance - beginning	-	-	796,028	796,028
Fund balance - ending	<u>\$ (354,255)</u>	<u>\$ (354,255)</u>	<u>\$ 867,330</u>	<u>\$ 1,221,585</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, 2016

	Building and Bus Replacement Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues from use of money and property	\$ 300	\$ 300	\$ 9	\$ (291)
Total revenues	<u>300</u>	<u>300</u>	<u>9</u>	<u>(291)</u>
EXPENDITURES				
Capital projects:				
Capital outlay	290,000	290,000	288,437	1,563
Total expenditures	<u>290,000</u>	<u>290,000</u>	<u>288,437</u>	<u>1,563</u>
Net change in fund balances	(289,700)	(289,700)	(288,428)	1,272
Fund balance - beginning, as restated	-	-	617,368	617,368
Fund balances - ending	<u>\$ (289,700)</u>	<u>\$ (289,700)</u>	<u>\$ 328,940</u>	<u>\$ 618,640</u>

Balance Sheet
Discretely Presented Component Unit - Children's Services Act Board
June 30, 2016

ASSETS

Cash	\$ 1,032,758
Interest receivable	3
Due from other governmental units	591,053
Due from primary government	54,663
Total assets	<u>\$ 1,678,477</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 218,304
Accrued liabilities	2,952
Due to the Commonwealth of Virginia	1,457,221
Total liabilities	<u>1,678,477</u>

Fund balances:

Unassigned	-
Total fund balance	-
Total liabilities and fund balances	<u>\$ 1,678,477</u>

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - Children's Services Act Board
For the Year Ended June 30, 2016**

REVENUES

Miscellaneous	\$ 67,803
Intergovernmental revenues:	
Local government	805,003
Commonwealth	1,733,507
Federal	58,965
Total revenues	<u>2,665,278</u>

EXPENDITURES

Current:	
Health and welfare	<u>2,665,278</u>
Total expenditures	<u>2,665,278</u>

Excess of revenues over expenditures	<u>-</u>
--------------------------------------	----------

Net change in fund balance	-
Fund balance - beginning	-
Fund balance - ending	<u><u>\$ -</u></u>

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
Recreation Fund
For the Year Ended June 30, 2016

	<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:			
Revenue from the use of property	\$ 14,400	\$ 11,172	\$ (3,228)
Total revenues from use of money and property	<u>14,400</u>	<u>11,172</u>	<u>(3,228)</u>
Charges for services -			
Charges for services	163,450	153,249	(10,201)
Total charges for services	<u>163,450</u>	<u>153,249</u>	<u>(10,201)</u>
Miscellaneous revenues:			
Donations	33,000	6,821	(26,179)
Miscellaneous refunds and grants	4,800	19,716	14,916
Total miscellaneous revenues	<u>37,800</u>	<u>26,537</u>	<u>(11,263)</u>
Total revenues from local sources	<u>215,650</u>	<u>190,958</u>	<u>(24,692)</u>
Revenue from the Commonwealth			
Other state aid	51,500	58,358	6,858
Revenue from the federal government			
Categorical aid -			
Summer feeding program	9,000	9,583	583
Total categorical aid	<u>9,000</u>	<u>9,583</u>	<u>583</u>
Total revenues from the federal government	<u>9,000</u>	<u>9,583</u>	<u>583</u>
Total revenues	<u>\$ 276,150</u>	<u>\$ 258,899</u>	<u>\$ (17,251)</u>
Expenditures:			
Parks, recreation, and cultural:			
Parks and recreation:			
Recreation centers and playgrounds	\$ 585,940	\$ 577,139	\$ 8,801
Community division	197,838	117,356	80,482
Athletics division	163,177	161,241	1,936
Seniors' division	152,769	149,472	3,297
Pool center	213,540	221,423	(7,883)
Parks	450,070	408,578	41,492
Marina	34,400	12,998	21,402
Grants	41,964	37,085	4,879
Total parks and recreation	<u>1,839,698</u>	<u>1,685,292</u>	<u>154,406</u>
Total expenditures	<u>\$ 1,839,698</u>	<u>\$ 1,685,292</u>	<u>\$ 154,406</u>

City of Hopewell, Virginia
Schedule of Revenues and Expenditures - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
Revenues			
Revenues from other governments -			
Commonwealth	\$ 819,000	\$ 656,514	\$ (162,486)
Federal	-	587,550	587,550
Total revenues from other governments	<u>819,000</u>	<u>1,244,064</u>	<u>425,064</u>
Local sources -			
Other local taxes:			
Hotel and motel room taxes	700,000	784,620	84,620
Restaurant food taxes	1,850,000	1,836,184	(13,816)
Total other local taxes	<u>2,550,000</u>	<u>2,620,804</u>	<u>70,804</u>
Revenues from use of money and property -			
Revenue from the use of money	15,500	43,587	28,087
Total revenues from use of money and property	<u>15,500</u>	<u>43,587</u>	<u>28,087</u>
Miscellaneous revenues -			
Other miscellaneous	310,000	204,476	(105,524)
Total miscellaneous revenues	<u>310,000</u>	<u>204,476</u>	<u>(105,524)</u>
Total revenue from local sources	<u>2,875,500</u>	<u>2,868,867</u>	<u>(6,633)</u>
Total revenues	<u>\$ 3,694,500</u>	<u>\$ 4,112,931</u>	<u>\$ 418,431</u>
Expenditures			
Education	\$ 20,000	\$ -	\$ 20,000
Capital Projects:			
Equipment	10,205,574	3,801,709	6,403,865
Parks and recreation	362,563	85,989	276,574
Economic development	285,000	310,513	(25,513)
Other projects	292,507	274,029	18,478
Streets, curbs, and gutters	3,036,786	633,405	2,403,381
Total capital projects	<u>14,182,430</u>	<u>5,105,645</u>	<u>9,076,785</u>
Debt Service:			
Principal retirement	2,387,534	3,186,024	(798,490)
Interest and other fiscal charges	1,587,466	2,100,120	(512,654)
Bond issuance costs	-	23,600	(23,600)
Total debt service	<u>3,975,000</u>	<u>5,309,744</u>	<u>(1,334,744)</u>
Total expenditures	<u>\$ 18,177,430</u>	<u>\$ 10,415,389</u>	<u>\$ 7,762,041</u>

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Component Unit School Board
For the Year Ended June 30, 2016

Fund, Major, and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenues from local sources:				
Revenues from use of money and property -				
Revenues from the use of money	\$ 200	\$ 200	\$ 124	\$ (76)
Charges for services -				
Charges for education	203,000	83,000	67,608	(15,392)
Miscellaneous revenues -				
Other miscellaneous	15,000	15,000	45,977	30,977
Total revenues from local sources	<u>218,200</u>	<u>98,200</u>	<u>113,709</u>	<u>15,509</u>
Intergovernmental revenues:				
Revenues from local governments -				
Contribution from the City of Hopewell, Virginia	16,388,887	16,388,887	11,408,787	(4,980,100)
Contribution from the City of Hopewell, Virginia - Debt Service	-	-	2,994,671	2,994,671
Total revenues from local governments	<u>16,388,887</u>	<u>16,388,887</u>	<u>14,403,458</u>	<u>(1,985,429)</u>
Revenues from the Commonwealth:				
Categorical aid:				
Share of state sales tax	3,917,715	3,917,715	3,938,961	21,246
Basic school aid	12,718,917	12,853,917	12,858,872	4,955
ISAEF	15,717	15,717	15,717	-
Remedial summer education	109,742	120,742	129,458	8,716
Regular foster care	-	11,600	11,669	69
Special education foster care	13,404	13,404	12,817	(587)
Homebound education	16,547	19,547	19,716	169
Gifted and talented	143,893	144,993	145,060	67
Remedial education	1,013,371	1,021,571	1,021,591	20
Special education	1,693,034	1,706,034	1,706,766	732
Vocational	6,659	7,359	7,370	11
Vocational education	220,431	221,931	222,219	288
Social security fringe benefits	857,233	863,733	864,185	452
Retirement fringe benefits	1,693,034	1,706,534	1,706,766	232
Group life insurance benefits	55,108	55,608	55,555	(53)
Early reading intervention	139,198	139,198	136,756	(2,442)
At-risk payments	1,166,581	1,176,181	1,176,204	23
Primary class size	1,365,921	1,348,755	1,348,755	-
At-risk four year olds	753,256	666,256	665,453	(803)
Education technology	326,000	326,000	-	(326,000)
Standards of Learning algebra readiness	97,572	97,572	97,572	-
Mentor teacher program	5,195	5,195	5,882	687
English as a second language	87,026	102,326	102,327	1
Summer Cybercamp	-	-	62,500	62,500
School Security Equipment Grant	-	-	65,637	65,637
Career Switcher New Teacher	-	-	2,000	2,000
STEM Recruitment	-	-	1,000	1,000
Industry certification costs	-	10,000	5,288	(4,712)
Total categorical aid	<u>26,415,554</u>	<u>26,551,888</u>	<u>26,386,096</u>	<u>(165,792)</u>
Total revenues from the Commonwealth	<u>\$ 26,415,554</u>	<u>\$ 26,551,888</u>	<u>\$ 26,386,096</u>	<u>\$ (165,792)</u>

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Component Unit School Board
For the Year Ended June 30, 2016

Fund, Major, and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,524,894	\$ 1,063,560	\$ 1,248,678	\$ 185,118
Impact Aid	20,000	20,000	19,863	(137)
Special Ed	929,907	929,907	923,359	(6,548)
Vocational Education	87,541	87,541	93,363	5,822
Title II	208,604	168,604	209,211	40,607
Title III	25,000	15,000	16,703	1,703
E-Rate Funds	70,000	60,000	54,421	(5,579)
Head Start	1,208,655	1,708,655	1,427,640	(281,015)
JROTC	59,500	64,500	68,310	3,810
School Improvement Grant	115,000	115,000	302,117	187,117
Total categorical aid	<u>4,249,101</u>	<u>4,232,767</u>	<u>4,363,665</u>	<u>130,898</u>
Total revenue from the federal government	<u>\$ 4,249,101</u>	<u>\$ 4,232,767</u>	<u>\$ 4,363,665</u>	<u>\$ 130,898</u>
 Total School Operating Fund	 <u>\$ 47,271,742</u>	 <u>\$ 47,271,742</u>	 <u>\$ 45,266,928</u>	 <u>\$ (2,004,814)</u>
 School Cafeteria Fund:				
Revenues from local sources:				
Revenues from use of money and property				
Revenue from the use of money	\$ 600	\$ 600	\$ 8	\$ (592)
Charges for services -				
Cafeteria sales	<u>521,850</u>	<u>261,850</u>	<u>235,313</u>	<u>(26,537)</u>
Total revenues from local sources	<u>522,450</u>	<u>262,450</u>	<u>235,321</u>	<u>(27,129)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid -				
School food program grant	<u>52,660</u>	<u>52,660</u>	<u>39,334</u>	<u>(13,326)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	1,627,488	1,887,488	2,247,881	360,393
USDA commodities	-	-	145,232	145,232
Total categorical aid	<u>1,627,488</u>	<u>1,887,488</u>	<u>2,393,113</u>	<u>505,625</u>
Total revenues from the federal government	<u>1,627,488</u>	<u>1,887,488</u>	<u>2,393,113</u>	<u>505,625</u>
Total School Cafeteria Fund	<u>\$ 2,202,598</u>	<u>\$ 2,202,598</u>	<u>\$ 2,667,768</u>	<u>\$ 465,170</u>

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Component Unit School Board
For the Year Ended June 30, 2016

Fund, Major, and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Textbook Fund:				
Revenues from use of money and property -				
Revenues from the use of money	\$ 200	\$ 200	\$ 8	\$ (192)
Total revenues from use of money and property	<u>200</u>	<u>200</u>	<u>8</u>	<u>(192)</u>
Miscellaneous revenues -				
Other miscellaneous	-	-	110	110
Total miscellaneous revenues	<u>-</u>	<u>-</u>	<u>110</u>	<u>110</u>
Intergovernmental revenues:				
Revenues from the Commonwealth:				
Categorical aid -				
Textbook funds	295,545	295,545	296,971	1,426
Total revenue from the Commonwealth	<u>295,545</u>	<u>295,545</u>	<u>296,971</u>	<u>1,426</u>
Total School Textbook Fund	<u>\$ 295,745</u>	<u>\$ 295,745</u>	<u>\$ 297,089</u>	<u>\$ 1,344</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	\$ 9	\$ (291)
Total revenues from use of money and property	<u>300</u>	<u>300</u>	<u>9</u>	<u>(291)</u>
Total Building and Bus Replacement Fund	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 9</u>	<u>\$ (291)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 49,770,385</u>	<u>\$ 49,770,385</u>	<u>\$ 48,231,794</u>	<u>\$ (1,538,591)</u>

City of Hopewell, Virginia
Schedule of Expenditures - Budget and Actual
Component Unit School Board
For the Year Ended June 30, 2016

	<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				
Education:				
Administration of schools -				
Administration	\$ 1,419,997	\$ 1,461,569	\$ 1,368,252	\$ 93,317
Total administration of schools	<u>1,419,997</u>	<u>1,461,569</u>	<u>1,368,252</u>	<u>93,317</u>
Instruction costs:				
Compensation	33,387,805	32,049,063	31,059,319	989,744
Supplies	1,055,358	1,416,220	1,333,681	82,539
Equipment	539,651	754,040	710,552	43,488
Purchased services	1,225,681	1,630,880	1,469,874	161,006
Total instruction costs	<u>36,208,495</u>	<u>35,850,203</u>	<u>34,573,426</u>	<u>1,276,777</u>
Operating costs:				
Attendance and health services	841,536	988,067	947,042	41,026
Pupil transportation	1,262,695	1,524,361	1,340,884	183,478
Operation and maintenance of school plant	4,364,501	4,273,024	3,915,790	357,234
Total operating costs	<u>6,468,732</u>	<u>6,785,452</u>	<u>6,203,716</u>	<u>581,738</u>
Total education	<u>44,097,224</u>	<u>44,097,224</u>	<u>42,145,394</u>	<u>1,951,832</u>
Debt service	3,174,518	3,174,518	3,121,534	52,984
Total School Operating Fund	<u>\$ 47,271,742</u>	<u>\$ 47,271,742</u>	<u>\$ 45,266,928</u>	<u>\$ 2,004,816</u>
School Cafeteria Fund:				
Education:				
School food services -				
Administration of school food program	\$ 2,512,368	\$ 2,649,368	\$ 2,189,869	\$ 459,499
Total education	<u>2,512,368</u>	<u>2,649,368</u>	<u>2,189,869</u>	<u>459,499</u>
Operations:				
Repair and replacement of equipment	484,844	353,644	260,455	93,189
Other	57,878	64,578	30,557	34,021
Total Operations and Maintenance	<u>542,722</u>	<u>418,222</u>	<u>291,012</u>	<u>127,210</u>
Capital project expenditures -				
Capital projects	87,823	75,323	47,243	28,080
Total capital projects	<u>87,823</u>	<u>75,323</u>	<u>47,243</u>	<u>28,080</u>
Total School Cafeteria Fund	<u>\$ 3,142,913</u>	<u>\$ 3,142,913</u>	<u>\$ 2,528,124</u>	<u>\$ 614,789</u>
Textbook Fund:				
Education:				
Instruction	\$ 650,000	\$ 650,000	\$ 225,787	\$ 424,213
Total education	<u>650,000</u>	<u>650,000</u>	<u>225,787</u>	<u>424,213</u>
Total School Textbook Fund	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ 225,787</u>	<u>\$ 424,213</u>
Capital Projects Fund:				
Building and Bus Replacement Fund				
Education:				
Capital project expenditures:				
Other project costs	\$ 290,000	\$ 290,000	\$ 288,437	\$ 1,563
Total capital projects	<u>290,000</u>	<u>290,000</u>	<u>288,437</u>	<u>1,563</u>
Total Building and Bus Replacement Fund	<u>\$ 290,000</u>	<u>\$ 290,000</u>	<u>\$ 288,437</u>	<u>\$ 1,563</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 51,354,655</u>	<u>\$ 51,354,655</u>	<u>\$ 48,309,276</u>	<u>\$ 3,045,381</u>

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STATISTICAL SECTION

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STATISTICAL SECTION

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

	<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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Government activities:										
Net investment in capital assets	\$ 1,080,980	\$ 2,846,179	\$ (5,421,549)	\$ 2,462,560	\$ 409,366	\$ 2,934,686	\$ 8,237,548	\$ 9,806,936	\$ 15,515,897	\$ 42,341,331
Restricted	1,238,289	983,265	11,016,079	1,054,321	1,024,445	469,962	472,833	464,911	400,000	-
Unrestricted	29,341,147	25,589,865	20,864,117	22,001,951	21,485,263	20,049,644	20,446,091	17,328,832	(698,824)	(27,874,350)
Total governmental activities net position	\$ 31,660,416	\$ 29,419,309	\$ 26,458,647	\$ 25,518,832	\$ 22,919,074	\$ 23,454,292	\$ 29,156,472	\$ 27,600,679	\$ 15,217,073	\$ 14,466,981
Business-Type activities:										
Net investment in capital assets	\$ 2,001,382	\$ 379,108	\$ (1,881,277)	\$ 833,056	\$ 3,522,077	\$ 4,439,464	\$ 5,573,075	\$ 11,156,352	\$ 31,226,996	\$ 70,349,924
Restricted	395,641	395,641	395,641	395,641	395,641	502,351	-	-	-	2,928,418
Unrestricted	20,590,674	21,410,651	21,695,483	20,822,720	20,539,183	24,658,155	25,967,344	21,645,447	21,759,463	24,913,689
Total Business-Type activities net position	\$ 22,987,697	\$ 22,185,400	\$ 20,209,847	\$ 22,051,417	\$ 24,456,901	\$ 29,599,970	\$ 31,540,419	\$ 32,801,799	\$ 52,986,459	\$ 98,192,031
Primary Government:										
Net investment in capital assets	\$ 3,082,362	\$ 3,225,287	\$ (7,302,826)	\$ 3,295,616	\$ 3,931,443	\$ 7,374,150	\$ 13,810,623	\$ 20,963,288	\$ 46,742,893	\$ 112,691,255
Restricted	1,633,930	1,378,906	11,411,720	1,449,962	1,420,086	972,313	472,833	464,911	400,000	2,928,418
Unrestricted	49,931,821	47,000,516	42,559,600	42,824,671	42,024,446	44,707,799	46,413,435	38,974,279	21,060,639	(2,960,661)
Total Primary Government net position	\$ 54,648,113	\$ 51,604,709	\$ 46,668,494	\$ 47,570,249	\$ 47,375,975	\$ 53,054,262	\$ 60,696,891	\$ 60,402,478	\$ 68,203,532	\$ 112,659,012

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Government activities:										
General government	\$ 3,375,486	\$ 3,355,309	\$ 3,005,250	\$ 4,460,353	\$ 6,104,946	\$ 8,303,573	\$ 8,482,373	\$ 9,598,375	\$ 7,471,201	\$ 5,065,483
Judicial administration	1,778,649	1,959,936	2,115,285	2,084,915	1,643,680	2,107,894	2,217,984	2,598,072	2,810,211	2,694,035
Public safety	12,332,692	12,594,747	13,815,831	12,847,039	10,761,188	11,841,600	11,720,652	14,012,598	16,464,074	14,031,657
Public works	1,772,710	4,720,713	5,032,124	4,705,675	5,338,658	4,203,248	711,805	1,540,362	3,227,810	5,794,089
Health and welfare	5,322,346	5,764,789	6,082,016	5,486,078	5,514,230	5,548,091	5,259,409	5,363,582	5,532,202	5,899,170
Education	12,264,674	12,419,569	12,641,913	14,587,637	15,960,520	14,701,888	13,675,250	13,266,424	15,202,676	13,995,712
Parks, recreation and cultural	2,342,189	2,893,300	2,771,191	2,396,107	1,187,879	2,311,175	2,462,345	2,530,959	2,408,566	2,421,366
Community development	947,666	1,097,051	1,426,189	1,499,806	2,885,797	735,236	729,140	896,763	868,640	2,323,189
Interest on long-term debt	1,810,935	1,623,712	1,942,319	1,624,907	2,228,636	1,836,461	1,655,027	1,325,884	2,608,205	2,252,111
Total governmental activities expenses	41,947,347	46,429,126	48,832,118	49,692,517	51,625,534	51,589,166	46,913,985	51,133,019	56,593,585	54,476,812
Business-Type activities:										
Public utilities	16,961,532	17,697,147	21,188,607	17,709,774	16,348,442	16,193,605	18,163,995	21,114,290	23,816,770	21,303,229
Total Primary Government expenses	58,908,879	64,126,273	70,020,725	67,402,291	67,973,976	67,782,771	65,077,980	72,247,309	80,410,355	75,780,041
Program Revenues										
Government activities:										
Charges for services:										
General government administration	-	201,555	-	1,991	7,620	3,913	4,464	3,718	-	395,800
Judicial administration	82,948	200,543	362,032	26,273	31,532	35,492	37,325	66,938	58,951	53,913
Public Safety	549,021	293,746	454,764	414,833	463,133	580,930	534,761	555,568	541,987	520,413
Public Works	-	-	-	-	19	1	3	7	-	-
Parks, recreation and cultural	141,640	177,568	102,269	308,350	296,931	253,921	245,420	198,885	145,507	153,249
Community development	-	-	-	78,193	70,194	58,448	51,959	82,410	-	-
Operating grants and contributions	9,801,482	10,170,554	10,925,941	10,089,840	10,569,646	10,125,073	10,227,954	9,987,193	10,615,538	11,244,004
Capital grants and contributions	-	262,809	197,033	380,537	361,697	2,400,955	481,634	316,105	245,093	593,982
Total governmental activities program revenues	10,575,091	11,306,775	12,042,039	11,300,017	11,800,772	13,458,733	11,583,520	11,210,824	11,607,076	12,961,361
Business-Type activities:										
Charges for services:										
Public utilities	16,219,446	16,017,671	18,808,470	18,400,410	18,537,642	17,775,706	18,358,264	22,385,729	21,134,708	27,574,838
Operating grants and contributions	-	33,661	-	-	-	-	-	-	-	21,906,801
Capital grants and contributions	-	-	-	513,084	82,284	3,100,000	1,160,000	-	23,492,801	13,305,001
Total Business-Type activities program revenues	16,219,446	16,051,332	18,808,470	18,913,494	18,619,926	20,875,706	19,518,264	22,385,729	44,627,509	62,786,640
Total Primary Government program revenues	26,794,537	27,358,107	30,850,509	30,213,511	30,420,698	34,334,439	31,101,784	33,596,553	56,234,585	75,748,001
Net (expense) / revenue:										
Governmental activities	(31,372,256)	(35,122,351)	(36,790,079)	(38,392,500)	(39,824,762)	(38,130,433)	(35,330,465)	(39,922,195)	(44,986,509)	(41,515,451)
Business-Type activities	(742,086)	(1,645,815)	(2,380,137)	1,203,720	2,271,484	4,682,101	1,354,269	1,271,439	20,810,739	41,483,411
Total Primary Government net expense	\$ (32,114,342)	\$ (36,768,166)	\$ (39,170,216)	\$ (37,188,780)	\$ (37,553,278)	\$ (33,448,332)	\$ (33,976,196)	\$ (38,650,756)	\$ (24,175,770)	\$ (32,040)

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 23,466,018	\$ 21,003,914	\$ 23,548,847	\$ 24,953,126	\$ 24,183,723	\$ 24,250,333	\$ 25,324,405	\$ 25,585,445	\$ 29,559,595	\$ 31,221,372
Local sales and use taxes	1,992,012	1,872,972	1,752,105	1,904,436	1,866,495	1,921,273	1,989,128	2,048,011	1,960,808	2,075,150
Consumer utility taxes	914,129	665,210	349,751	350,230	376,118	347,966	355,950	348,009	389,249	379,052
Business licenses taxes	1,537,086	1,621,535	1,671,362	1,871,513	1,766,087	1,568,560	1,738,831	1,773,174	1,756,407	1,844,640
Other local taxes	3,184,311	3,970,017	4,212,375	5,345,796	5,754,161	6,583,703	6,331,024	6,166,649	6,208,306	6,000,284
Unrestricted grants and contributions	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	2,033,562	1,768,070	593,272	127,687	154,399	98,440	110,552	78,461	93,151	121,552
Gain on disposal of capital assets	-	1,000,000	-	-	-	-	-	-	-	-
Interest rate subsidy	-	-	-	-	363,750	-	-	-	-	-
Miscellaneous	266,383	266,593	167,241	1,281,867	1,142,241	1,927,346	1,736,852	1,620,797	1,478,801	1,594,945
Loss on debt refunding	-	-	-	-	-	-	-	-	2,127,083	-
Transfers	-	-	-	-	-	-	(66,495)	(407,326)	502,000	-
Total governmental activities	35,195,287	33,576,144	33,829,417	37,452,685	37,225,004	38,665,651	39,289,246	38,842,093	44,075,400	43,236,994
Business-Type activities:										
Transfers	-	-	-	-	-	-	66,495	407,326	(502,000)	-
Miscellaneous	-	-	-	-	-	-	216,311	-	811,486	-
Unrestricted revenues from use of money and property	951,842	843,518	404,584	36,210	134,000	460,967	303,374	268,690	247,297	318,470
Total Business-Type activities	951,842	843,518	404,584	36,210	134,000	460,967	586,180	676,016	556,783	318,470
Total Primary Government	36,147,129	34,419,662	34,234,001	37,488,895	37,359,004	39,126,618	39,875,426	39,518,109	44,632,183	43,555,464
Special item - loss on capital contributed	-	-	-	-	-	-	(1,160,000)	-	-	-
Change in Net Position:										
Governmental activities	3,823,031	(1,546,207)	(2,960,662)	(939,815)	(2,599,758)	535,218	2,798,781	(1,080,102)	(911,109)	1,721,543
Business-Type activities	209,756	(802,297)	(1,975,553)	1,239,930	2,405,484	5,143,068	1,940,449	1,947,455	21,367,522	41,801,881
Total Primary Government	\$ 4,032,787	\$ (2,348,504)	\$ (4,936,215)	\$ 300,115	\$ (194,274)	\$ 5,678,286	\$ 4,739,230	\$ 867,353	\$ 20,456,413	\$ 43,523,424

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund:										
Reserved	\$ 2,145,977	\$ 1,305,385	\$ 1,085,023	\$ 1,146,496						
Unreserved	10,681,284	10,508,586	9,484,371	10,168,180						
Total General Fund	<u>\$ 12,827,261</u>	<u>\$ 11,813,971</u>	<u>\$ 10,569,394</u>	<u>\$ 11,314,676</u>						
All other governmental funds:										
Reserved	\$ 3,553,176	\$ 1,116,638	\$ 55,109	\$ 35,436						
Unreserved, reported in:										
Special Revenue Funds	221,901	228,810	157,004	346,795						
Capital Projects Funds	15,342,304	12,321,255	20,995,610	22,131,546						
Total all other Governmental funds	<u>\$ 19,117,381</u>	<u>\$ 13,666,703</u>	<u>\$ 21,207,723</u>	<u>\$ 22,513,777</u>						
General Fund:										
Nonspendable					\$ 352,873	\$ 484,090	\$ 507,710	\$ 506,019	\$ 463,095	\$ 61,714
Restricted					-	-	-	-	-	-
Committed					-	-	-	-	-	887,776
Assigned					7,433,145	7,185,036	7,185,036	7,577,377	8,129,327	7,000,776
Unassigned					4,355,131	4,084,446	6,110,082	3,294,763	2,231,581	6,620,773
Total General Fund					<u>\$ 12,141,149</u>	<u>\$ 11,753,572</u>	<u>\$ 13,802,828</u>	<u>\$ 11,378,159</u>	<u>\$ 10,824,003</u>	<u>\$ 14,571,039</u>
All other Governmental funds:										
Nonspendable					\$ -	\$ -	\$ -	\$ -	\$ 6,199,005	\$ 1,495,273
Restricted					10,098,751	5,789,508	5,789,508	5,789,508	8,941,242	9,775,518
Committed					-	-	-	-	-	-
Assigned					14,338,352	8,694,433	7,758,080	15,633,457	5,290,631	2,743,722
Unassigned					(248)	(247)	-	-	-	-
Total all other Governmental funds					<u>\$ 24,436,855</u>	<u>\$ 14,483,694</u>	<u>\$ 13,547,588</u>	<u>\$ 21,422,965</u>	<u>\$ 20,430,878</u>	<u>\$ 14,014,513</u>

Note: Fiscal years 2007 through 2010 have not been restated per GASB 54.

Table 4

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
General property taxes	\$ 22,262,298	\$ 24,259,295	\$ 22,831,071	\$ 27,157,780	\$ 23,818,310	\$ 23,481,976	\$ 26,459,832	\$ 25,308,595	\$ 29,022,830	\$ 31,060,801
Other local taxes	7,627,538	8,129,734	7,985,593	8,405,033	8,494,183	8,425,201	8,707,937	8,595,179	8,311,898	8,920,395
Permits, privilege fees/regulatory licenses	204,618	206,454	135,509	352,348	31,956	41,144	42,889	105,139	230,893	205,552
Fines and Forfeitures	69,921	155,217	282,130	714,594	1,288,030	1,866,202	1,544,560	1,561,049	1,545,064	1,173,179
Revenue from use of money and property	2,033,562	1,407,833	593,272	349,168	369,081	293,153	275,553	220,657	93,151	121,551
Charges for services	499,070	511,741	501,426	536,670	587,937	680,400	662,134	684,206	746,445	740,875
Miscellaneous	271,236	266,593	167,241	471,399	227,644	1,148,605	2,323,369	2,083,113	1,370,570	1,594,944
Recovered costs	824,000	823,000	872,000	872,000	884,500	884,500	884,500	884,500	382,500	382,500
Intergovernmental	11,603,268	10,583,403	12,657,438	12,096,593	12,485,977	14,502,537	12,491,935	11,938,140	10,751,111	11,837,987
Total revenues	45,395,511	46,343,270	46,025,680	50,955,585	48,187,618	51,323,718	53,392,709	51,380,578	52,454,462	56,037,784
Expenditures:										
General government administration	3,207,029	3,471,465	3,555,998	3,529,854	2,836,083	2,946,336	3,038,151	3,887,357	4,034,781	4,542,624
Judicial administration	1,500,445	1,707,438	1,724,389	1,765,448	1,603,353	1,839,894	1,916,116	2,347,692	2,582,149	2,400,080
Public safety	11,715,197	12,235,866	12,549,248	12,864,356	10,220,079	11,107,197	10,966,050	13,363,832	13,545,791	13,624,877
Public works	3,682,520	4,161,179	4,248,535	3,953,139	3,414,050	3,468,258	3,570,454	3,927,276	4,296,811	4,411,354
Health and welfare	5,198,729	5,577,319	5,673,538	5,470,641	5,514,230	5,442,824	5,154,545	5,259,251	5,465,334	5,772,564
Education	9,800,130	10,507,034	11,045,621	15,691,522	20,957,047	21,060,268	11,102,916	10,787,674	14,301,637	11,408,787
Parks, recreation and cultural	2,255,777	2,302,038	2,300,336	2,083,326	2,080,477	2,273,806	2,114,530	2,165,055	2,246,089	2,275,373
Community development	978,544	1,078,552	1,003,857	1,040,742	793,509	657,839	718,234	889,540	868,628	1,037,926
Nondepartmental	903,500	968,612	864,074	1,025,073	5,075,563	4,866,933	5,153,440	1,056,007	1,563,876	1,284,415
Capital projects	10,846,799	3,823,661	1,837,201	1,098,458	4,167,481	3,552,164	3,003,770	4,190,524	5,618,260	5,105,645
Debt service:										
Principle	2,379,916	2,513,941	3,648,595	1,390,172	4,155,218	1,696,274	2,510,773	5,456,424	2,248,464	3,186,024
Interest	1,980,517	2,975,833	1,610,185	1,793,289	2,779,947	2,752,663	2,964,085	3,052,165	2,655,885	2,123,720
Total expenditures	54,449,103	51,322,938	50,061,577	51,706,020	63,597,037	61,664,456	52,213,064	56,382,797	59,427,705	57,173,389
Excess of revenues over (under) expenditures	(9,053,592)	(4,979,668)	(4,035,897)	(750,435)	(15,409,419)	(10,340,738)	1,179,645	(5,002,219)	(6,973,243)	(1,135,605)
Other financing sources (uses):										
Transfer in	4,369,935	3,636,893	3,401,401	6,199,463	3,986,103	3,493,901	4,688,553	6,663,226	5,601,896	5,217,372
Transfer out	(4,369,935)	(3,636,893)	(3,401,401)	(6,199,463)	(3,986,103)	(3,493,901)	(4,755,048)	(7,070,552)	(5,099,896)	(5,217,372)
Refunding bonds issued	-	18,210,000	2,155,000	-	-	-	-	-	-	-
Bonds issued	-	-	10,000,000	-	17,715,000	-	-	10,860,253	19,210,000	-
Premium on bonds issued	-	-	303,340	2,801,771	80,220	-	-	-	-	-
Refunded bonds redeemed	-	(20,000,000)	(2,126,000)	-	-	-	-	-	(14,285,000)	-
Capital lease proceeds	-	-	-	-	-	-	-	-	-	1,280,852
Interest rate subsidy	-	-	-	-	363,750	-	-	-	-	-
Sale of capital assets	-	1,000,000	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	(790,000)	10,332,340	2,801,771	18,158,970	-	(66,495)	10,452,927	5,427,000	1,280,852
Net change in fund balances	\$ (9,053,592)	\$ (5,769,668)	\$ 6,296,443	\$ 2,051,336	\$ 2,749,551	\$ (10,340,738)	\$ 1,113,150	\$ 5,450,708	\$ (1,546,243)	\$ 145,247
Debt service as a percentage of noncapital expenditures	9.60%	11.10%	10.61%	6.29%	11.77%	7.66%	11.70%	15.70%	9.11%	10.20%

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
2016	\$ 1.13	\$ 1,525,757,500	\$ 3.50	\$ 135,036,571	\$ 3.05	\$ 242,698,071	\$ 383,685,396	\$ 1.47	\$ 2,287,177,538	\$ 2,275,741,650	100.50%
2015	1.13	1,523,579,400	3.50	135,036,571	3.05	229,392,148	366,038,913	1.47	2,254,047,032	2,242,776,797	100.50%
2014	1.08	1,515,543,600	3.50	108,045,354	3.05	175,948,856	351,700,185	1.36	2,151,237,995	2,140,481,805	100.50%
2013	1.08	1,500,249,500	3.50	108,045,354	3.05	154,636,072	351,556,622	1.35	2,114,487,548	2,103,915,110	100.50%
2012	1.02	1,330,768,380	3.50	122,695,512	3.05	131,032,392	331,805,550	1.32	1,916,301,834	1,906,720,325	100.50%
2011	0.99	1,359,312,700	3.50	129,530,486	3.05	179,114,467	344,749,605	1.33	2,012,707,258	2,002,643,728	100.50%
2010	0.99	1,357,143,000	3.05	128,089,039	3.05	142,657,510	344,073,128	1.27	1,971,962,677	1,932,523,430	102.04%
2009	0.96	1,338,397,100	3.05	113,630,555	3.05	140,866,828	344,073,128	1.23	1,936,967,611	1,898,228,265	102.04%
2008	1.09	1,145,283,664	3.05	127,665,229	3.05	119,046,593	308,044,862	1.37	1,700,412,530	1,649,400,154	103.09%
2007	1.09	1,122,108,000	3.05	124,658,770	3.05	129,341,114	324,304,640	1.38	1,700,412,524	1,683,408,399	101.01%

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.

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	
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	1.32
2013	1.08	3.50	3.05	1.08	3.50	1.35
2014	1.11	3.50	3.05	1.08	3.50	1.36
2015	1.13	3.50	3.05	1.02	3.50	1.47
2016	1.13	3.50	3.05	1.02	3.50	1.47

(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.

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

<u>Taxpayer</u>	<u>Fiscal Year 2016</u>		<u>Fiscal Year 2007</u>	
	<u>2015 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>2006 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Virginia Electric & Power Company / Dominion Virginia Power	\$ 137,663,435	6.64%	\$ 44,279,948	2.93%
Honeywell International	127,901,233	6.17%	111,311,315	7.37%
Rock Tenn / Alliance Division (1)	123,881,994	5.97%	74,254,431	4.92%
Columbia HCA / John Randolph Hospital	91,942,630	4.43%	106,910,032	7.08%
Hopewell Cogentric Limited Partnership	81,183,738	3.91%	126,817,509	8.40%
Future Fuels	66,561,608	3.21%	-	0.00%
Ashland, Inc. / Aqualon Company (3)	57,924,969	2.79%	38,203,071	2.53%
Evoniks Industries (2)	46,188,231	2.23%	64,762,185	4.29%
Virginia American Water Company	40,113,770	1.93%	19,122,787	1.27%
James River Genco LLC	<u>27,763,665</u>	<u>1.34%</u>	<u>44,712,820</u>	<u>2.96%</u>
Total of Principal Property Taxpayers	<u>\$ 801,125,273</u>	<u>38.62%</u>	<u>\$ 630,374,098</u>	<u>41.75%</u>
Grand Total of All Taxpayers	<u>\$ 2,074,142,382</u>		<u>\$ 1,509,735,580</u>	

(1) In 2007, Rock Tenn was Stone Container.

(2) In 2007, Evoniks Industries was Goldschmidt Chemical Corp.

(3) In 2007, Ashland, Inc. was Aqualon Company.

Sources: (a) Debra K. Reason, Commissioner of Revenue

(b) Patrizia Waggoner, Real Estate Assessor

**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
2016	\$ 29,780,535	\$ 28,194,428	94.67%	\$ -	\$ 28,194,428	94.67%
2015	28,194,700	27,452,021	97.37%	-	27,452,021	97.37%
2014	27,263,306	25,359,477	93.02%	1,626,638	26,986,115	98.98%
2013	25,910,451	25,275,937	97.55%	373,947	25,649,885	98.99%
2012	25,502,328	24,389,663	95.64%	967,556	25,357,218	99.43%
2011	25,806,316	24,573,947	95.22%	1,123,467	25,697,414	99.58%
2010	25,365,543	24,277,032	95.71%	1,050,420	25,327,452	99.85%
2009	25,394,983	21,359,404	84.11%	4,006,409	25,365,813	99.89%
2008	23,544,869	21,035,463	89.34%	2,488,884	23,524,347	99.91%
2007	23,967,262	21,167,844	88.32%	2,784,668	23,952,512	99.94%

Source: Municipal Tax Assessor

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			
2016	\$ 57,890,852	\$ 2,073,400	\$ -	\$ 65,154	\$ 1,280,852	\$ 37,130,000	\$ 626,155	\$ -	\$ 99,066,413	12.73%	\$ 4,385
2015	60,602,676	2,547,600	-	79,140	-	38,210,000	658,519	-	102,097,935	13.12%	4,519
2014	57,473,287	3,021,800	-	157,886	-	33,680,000	692,558	-	95,025,531	12.21%	4,206
2013	51,595,511	3,496,000	-	248,510	-	34,830,000	718,958	-	90,888,979	11.68%	4,023
2012	53,632,083	3,970,200	-	266,938	-	35,405,000	725,736	-	93,999,957	12.08%	4,161
2011	54,854,157	4,444,400	-	279,072	-	32,205,000	387,480	-	92,170,109	8.44%	4,080
2010	40,597,744	5,093,600	-	291,206	-	28,580,000	661,103	-	75,223,653	10.14%	3,365
2009	39,329,300	5,821,300	-	303,340	-	11,245,000	-	-	56,698,940	7.73%	2,536
2008	31,342,111	6,559,000	-	-	-	11,735,000	-	-	49,636,111	6.77%	2,220
2007	34,814,452	7,390,000	-	259,485	-	12,200,000	-	-	54,663,937	8.16%	2,445

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

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

<u>Fiscal Year</u>	<u>Gross Bonded Debt</u>	<u>Less Amounts Reserved for Debt Service</u>	<u>Net Bonded Debt (3)</u>	<u>Ratio of Net General Obligation Debt to Assessed Value (2)</u>	<u>Bonded Debt per Capita (1)</u>
2016	\$ 60,029,406	\$ -	\$ 60,029,406	2.62%	\$ 2,657
2015	63,229,416	-	63,229,416	2.81%	2,799
2014	60,725,169	-	60,725,169	2.82%	2,688
2013	55,340,021	-	55,340,021	2.62%	2,450
2012	57,869,221	-	57,869,221	3.02%	2,562
2011	59,577,629	-	59,577,629	2.96%	2,637
2010	45,982,550	4,500,000	41,482,550	2.10%	1,856
2009	45,453,940	4,500,000	40,953,940	2.11%	1,832
2008	37,901,111	4,500,000	33,401,111	1.96%	1,494
2007	42,463,937	4,500,000	37,963,937	2.23%	1,698

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 12.

(2) See schedule of Real Estate Assessed Value and Estimated Actual Value of Taxable Property - Table 5.

(3) Includes all long-term general obligation bonded debt, Literacy Fund Loans, excludes revenue bonds, capital lease, and compensated absences.

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 112,210,800	\$ 114,528,366	\$ 133,839,710	\$ 135,714,300	\$ 135,931,270	\$ 133,076,838	\$ 130,445,020	\$ 133,262,850	\$ 130,418,300	\$ 152,575,750
Total net debt applicable to limit	<u>42,463,937</u>	<u>37,901,111</u>	<u>45,453,940</u>	<u>45,982,550</u>	<u>59,577,629</u>	<u>57,869,221</u>	<u>55,340,021</u>	<u>60,725,169</u>	<u>63,229,416</u>	<u>60,029,406</u>
Legal debt margin	<u>\$ 69,746,863</u>	<u>\$ 76,627,255</u>	<u>\$ 88,385,770</u>	<u>\$ 89,731,750</u>	<u>\$ 76,353,641</u>	<u>\$ 75,207,617</u>	<u>\$ 75,104,999</u>	<u>\$ 72,537,681</u>	<u>\$ 67,188,884</u>	<u>\$ 92,546,344</u>
Total net debt applicable to the limit as a percentage of debt limit	37.84%	33.09%	33.96%	33.88%	43.83%	43.49%	42.42%	45.57%	48.48%	39.34%

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 2016

Assessed value	\$ 1,328,430,100
Add back: exempt real property	<u>197,327,400</u>
Total assessed value	1,525,757,500
Debt limit (10% of total assessed value) (a)	152,575,750
Net debt applicable to limit	<u>60,029,406</u>
Legal debt margin	<u>\$ 92,546,344</u>

**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>
2016	22,591	\$ 778,341,324	\$ 34,454	6.6%
2015	22,591	778,341,324	34,454	7.6%
2014	22,591	778,341,324	34,454	9.0%
2013	22,591	778,341,324	34,454	9.8%
2012	22,591	778,341,324	34,454	10.1%
2011	22,591	778,341,324	34,454	11.3%
2010	22,354	762,550,318	34,112	11.6%
2009	22,354	755,000,314	33,775	10.4%
2008	22,354	733,010,014	32,791	6.0%
2007	22,354	670,307,044	29,986	4.7%

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.

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

<u>Employer</u>	<u>Fiscal Year 2016</u>		<u>Fiscal Year 2007</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Honeywell International, Inc.	500 to 999 employees	1	500 to 999 employees	2
Hopewell City School Board	500 to 999 employees	2	500 to 999 employees	1
HCA Virginia Health System	500 to 999 employees	3	500 to 999 employees	3
City of Hopewell	250 to 499 employees	4	250 to 499 employees	5
E.I. DuPont De Nemours Company	250 to 499 employees	5	250 to 499 employees	4
Alliance Group Rock Tenn	250 to 499 employees	6	250 to 499 employees	7
Metz Division	250 to 499 employees	7	100 to 249 employees	9
Aqualon Company	250 to 499 employees	8	250 to 499 employees	8
Hopewell Operations LLC	100 to 249 employees	9	100 to 249 employees	11
Insulation Specialties	100 to 249 employees	10	100 to 249 employees	10

Source: Virginia Employment Commission

(1) In FY 2007, Alliance Group Rock Tenn was Stone Container Corporation

(2) In FY 2007, Metz Division was Goldschmidt Chemical Corporation.

Table 14

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government:										
City Clerk	1	1	1	1	1	2	1	1	1	1
City Attorney	2	2	2	2	2	2	2	2	2	-
City Manager	3	6	6	6	6	6	7	7	7	9
Finance Department	18	15	15	15	15	15	14	14	14	14
City Treasurer	6	5	5	5	5	5	5	5	5	5
Commissioner of Revenue	6	7	7	7	7	7	7	7	7	7
Voter Registrar	2	2	2	2	2	2	2	2	2	2
Judicial Administration:										
Clerk of Circuit Court	6	5	5	5	5	5	5	5	5	5
Commonwealth Attorney	7	9	9	7	7	7	6	6	6	6
Court Services	4	4	2	2	2	2	3	3	3	3
General District Court	-	-	-	-	-	1	1	1	1	1
Public Safety:										
Sheriff Department	9	9	9	9	9	10	10	10	12	12
Fire & Rescue	43	43	43	46	46	46	45	45	45	47
Building inspections	7	7	7	6	6	6	6	6	6	6
Police Department	73	73	73	76	76	78	81	82	84	82
Animal Control	3	3	3	1	1	1	1	1	2	2
Emergency Services	1	1	1	1	1	1	1	1	1	1
Public Works:										
General Maintenance	39	36	36	34	34	34	34	34	36	36
Landfill	2	2	2	2	2	2	2	2	2	2
Engineering	4	4	4	3	3	3	3	3	3	3
Sewer Services	63	63	64	60	60	60	61	61	61	61
Health & Welfare:										
Department of Social Services	41	41	41	40	40	40	40	40	40	44
Community Services Act	1	1	1	1	1	1	1	1	1	2
Culture and Recreation:										
Parks and Recreation	17	17	17	15	15	15	15	15	15	15
Tourism	1	1	1	1	1	1	1	1	-	-
Community Development	3	3	3	3	3	3	3	3	3	3
Planning	2	2	2	1	1	1	1	1	1	1
Totals	364	362	361	351	351	356	358	359	365	370

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Police department:										
E911 calls answered	22,906	22,381	19,764	14,101	17,075	17,329	24,655	14,205	19,516	19,701
Animal calls answered	1,847	1,912	1,361	1,856	2,757	3,028	2,818	2,917	2,960	2,712
Physical arrests	1,362	1,233	1,048	1,412	1,753	1,388	1,031	1,394	1,297	1,306
Civil papers										
Fire and rescue:										
Fire calls	1,225	1,232	1,164	3,130	3,430	3,687	3,213	3,352	3,138	3,477
EMS calls	1,993	2,046	1,944	3,557	3,505	3,615	3,545	3,556	1,296	4,001
Building inspections:										
Permits issued (all)	1,535	1,482	2,568	1,783	855	957	957	958	1,029	980
Inspections done (all)	1,264	1,174	2,895	4,607	482	2,560	2,560	2,297	4,007	1,313
Public works										
General maintenance:										
Work orders issued	N/A	2,720	2,002	1,898	1,429	2,346	2,501	3,196	2,688	2,701
Health and welfare										
Department of Social Services:										
Caseload*	8,600	8,436	9,087	10,378	10,707	10,911	10,911	11,446	12,324	8,652
Culture and recreation										
Parks and recreation:										
Community center visits	43,369	55,066	55,046	45,253	57,556	55,565	55,565	59,845	49,167	57,864
Summer program participants	421	425	320	1,058	1,303	N/A	N/A	N/A	223	1,511
Youth sports participants	N/A	4,039	4,627	5,314	4,461	N/A	N/A	2,235	737	711
Community development										
Planning:										
Zoning permits issued	1,142	1,346	1,376	496	218	291	291	539	167	199

Source: Individual city department workload counts.

* Average total case count.

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Administration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	6	6	6	6	6	6	6	5	5	7
Public Works										
Vehicles	43	43	43	43	43	43	46	48	48	47
Public Safety										
Police Department:										
Vehicles	61	60	60	60	60	60	60	60	53	55
Sheriff Department:										
Vehicles	11	13	14	14	14	14	16	18	18	19
Fire Department:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Fire trucks	6	6	6	6	6	6	5	5	5	7
Other vehicles	8	8	8	8	8	8	8	8	10	10
Building Inspectors:										
Vehicles	7	7	7	7	7	7	9	10	9	9
Culture and Recreation										
Parks and Recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	12	12	12	12	12	12	12	12	12	12
Parks acreage	161	161	161	161	161	161	161	161	161	161
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	14	14	14	14	14	14	14	14	14	14
Ballfields	20	20	20	20	20	20	20	20	20	20
Soccerfields	8	8	8	8	8	8	8	8	8	8

Source: City Fixed Asset System by City departments

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COMPLIANCE SECTION

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

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

We were engaged to 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopewell, Virginia (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 24, 2018.

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 Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2016-001 through 2016-011 to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2016-012 to be a significant deficiency.

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 instances of noncompliance or other matters required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2016-013 through 2016-021.

The City's Responses to Findings

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

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
October 24, 2018

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS

A. Material Weaknesses in Internal Control

2016-001: Material Weakness Due to Lack of Timely Reconciliations and Lack of Adequate Year End Close Procedures

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

Condition/Context: During the fiscal year 2016 audit and financial reporting processes, multiple instances were identified where the complete and accurate recording of financial transactions within the general ledger did not occur including (but not limited to) the following:

- The City was unable to reconcile the City's cash and investments balances with financial institutions to the balance per the general ledger at June 30, 2016 until December 2017.
- The City has been unable to reconcile customer accounts receivable from the billing software to the balance per the general ledger for the Storm Water, Solid Waste, and Sewer Service funds.
- The City was unable to reconcile the City's property taxes receivables to the balance per the general ledger at June 30, 2016 until May 2018.
- Funding receipts from the Commonwealth of Virginia to the City had not been reconciled to the general ledger at June 30, 2016, to verify accuracy and completeness of the transactions, until May 2018.
- Other receivables, capital asset, accounts payable and other accrued liability balances were also not reconciled timely to subsidiary records.

Cause: During fiscal year 2016, the City's Finance Department lacked the required technical skills to analyze and reconcile the myriad of City transactions both timely and accurately. Internal control processes, including management oversight, were not in place to monitor related account activities to ensure the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues, and expenditures/expenses in the City's CAFR.

Effect: The controls in place to close the year-end books, reconcile the balances, analyze the period transactions, and accumulate and assimilate such data into a timely, GAAP compliant financial report simply did not function, leading to the inefficient use of City Finance personnel and hours that would have been better served in other City Finance operations.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-001: Material Weakness Due to Lack of Timely Reconciliations and Lack of Adequate Year End Close Procedures (Continued)

Recommendation: The City should ensure finance staff have adequate technical skills or training to perform their accounting functions accurately and timely. We recommend increasing levels of oversight to ensure reconciliations are performed timely and formal year end close procedures are documented and followed to support the existence, completeness, accuracy and valuation of all assets and liabilities, revenues, and expenditures/expenses reported in the City's CAFR.

Repeat Findings: 2015-001 and 2015-002

Views of Responsible Officials: Management of the City and School Board agree with the Auditor's findings and recommendations.

2016-002: Material Weakness Due to Material Audit Adjustments and Restatements

Criteria: The year-end financial statements obtained from the City and School Board should be final and free of significant misstatements.

Condition/Context: Upon auditing the year-end balances of the City and School Board, there were instances of material adjustments identified, including entries to restate prior periods. Entries were required to restate prior periods for the following:

City:

Governmental Funds:

General Fund:

- Record liability to the Commonwealth of Virginia for disallowed amounts in the Children's Services Act Board in prior years (See Finding 2016-010)
- Correct error in due to the Community Development Block Grant
- Record prior year's School Board surplus due to City

Capital Projects Fund:

- Correct error in due from the Community Development Block Grant
- Correct recording of prior bond issuance costs
- Correct prior year cash balance
- Reclassify prior year advance as a contribution

Community Development Block Grant Fund:

- Correct prior year Federal receivable and due from other funds

Business-Type Activities:

Hopewell Regional Wastewater Treatment Facilities Fund (HRWTF)

- Correct prior year depreciation
- Record prior year retainage payable
- Correct prior year construction in progress

Sewer Service Fund:

- Correct prior year depreciation

Beacon Theatre Fund:

- Reclassify prior year advance as a contribution

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)**A. Material Weaknesses in Internal Control (Continued)****2016-002: Material Weakness Due to Material Audit Adjustments and Restatements (Continued)**City: (Continued)

Governmental-Type Activities:

- Adjust the allocation of assets jointly owned by the City and School Board
- Record liability to the Commonwealth of Virginia for disallowed amounts in the Children's Services Act Board in prior years (See Finding 2016-010)
- Correct error in due to the Community Development Block Grant and Federal receivable
- Record prior year's School Board surplus due to City
- Reclassify prior year advance as a contribution
- Correct recording of prior bond issuance costs
- Correct prior year cash balance

School Board:

- See finding 2016-005
- Adjust the allocation of assets jointly-owned by the City and the Schools
- Correct beginning accumulated depreciation for assets that were improperly noted as fully depreciated as well as adjust depreciation expense during the year for these same assets
- Record prior year's School Board surplus due to City
- Correct prior year errors in grant reporting

Cause: There was lack of adequate accounting technical skills and insufficient review to ensure items noted above were accurately recorded.

Effect: As noted above, the effect of these transactions was to misstate prior and current year fund balances and net position of the City and the School Board. The necessary entries above were significant to the financial statements and were included as adjustments in order to more accurately represent the financial position of each of the above. Failure to not record the items noted above would be a departure from accounting principles generally accepted in the United States of America.

Recommendation: The City and School Board should ensure finance staff have adequate technical skills or training to perform their accounting functions accurately and timely. We recommend the City and the School Board increase levels of oversight over maintaining accurate account balances. We also recommend a thorough review of the general ledger and supporting schedules prior to the audit.

Repeat Findings: 2015-001 and 2015-002

Views of Responsible Officials: Management of the City and School Board agree with the Auditor's findings and recommendations.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-003: Material Weakness Due to Lack of Accurate Supporting Records (Disclaimer of Opinions)

Criteria: The year-end financial statements obtained from the City should be adequately supported by sufficient and appropriate audit documentation.

Condition/Context: Upon auditing the year-end balances of the City, City personnel was unable to provide sufficient audit documentation to support the amounts recorded on the City's financial statements for its Business-Type Activities, including the HRWTF, Sewer Service Fund, Solid Waste Fund, Storm Water Fund and Beacon Theatre Fund.

Cause: The policies and procedures surrounding the billing and accounting records for service charges, unbilled and unearned revenues, contributions and credit adjustments between the City and its customers for the HRWTF, Sewer Service Fund, Solid Waste Fund, and Storm Water Fund were not consistently and accurately applied. Additionally, the City's third-party collections agent for sewer service, solid waste and storm water charges and fees was unable to substantiate balances for accounts receivable and service charges and fees in the Sewer Service Fund, Solid Waste Fund and Storm Water Fund. There was also a lack of oversight and monitoring of the financial operations of these funds by the City.

The City has not provided necessary oversight or been active in the management of the Beacon Theatre. The Beacon Theatre has contracted with a third-party management company to handle day-to-day operations. The management company outsourced the bookkeeping to another third party. Neither the management company nor the third-party bookkeeping entity were able to provide sufficient, appropriate audit evidence after repeated requests to support the financial statement amounts.

Effect: The effect is unknown as there was insufficient audit evidence to form opinions. As a result, opinions were disclaimed for the funds noted above.

Recommendation: The City should ensure finance staff have adequate technical skills or training to perform their accounting functions accurately and timely. The City Finance Department and staff of the HRWTF, Sewer Service Fund, Solid Waste Fund, and Storm Water Fund should review and update existing policies and procedures over the billing and accounting functions of the HRWTF, Sewer Service Fund, Solid Waste Fund, Storm Water Fund, and Beacon Theatre Fund to ensure accurate reconciliations are performed timely between the general ledger, bank statements, and the third party bookkeeping entity for Beacon Theatre and third party collections agent for the Sewer Service Fund, Solid Waste Fund, and the Storm Water Fund. The City should also increase levels of oversight and monitoring over the financial activity of these funds as well.

Repeat Findings: 2015-001 and 2015-002

Views of Responsible Officials: Management of the City agrees with the Auditor's findings and recommendations.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-004: Material Weakness Due to Lack of Management Contract for Beacon Theatre

Criteria: The City should have signed contracts in place with all third-party management vendors. Additionally, the City should have policies and procedures in place to ensure routine oversight over these vendors is occurring.

Condition/Context: City personnel and the Beacon Theatre third-party management company were unable to provide adequate supporting documentation to support the amounts reported in the financial statements as prepared by the third-party management company. Furthermore, City personnel was unable to provide a current, signed contract between the City and the third-party management company detailing the services to be provided and any fees associated with these services. It was noted that City oversight of Beacon Theatre's operations and subsequent recordation of this activity was not occurring on a routine and ongoing basis.

Cause: Internal control processes were not in place to monitor, review and analyze transactions recorded outside of the City's normal financial applications. Additionally, City personnel did not retain contracts that would allow for routine oversight over third-party consultants.

Effect: The effect is unknown as there was insufficient audit evidence to form an opinion. As a result, an opinion was disclaimed for the Beacon Theatre Fund.

Recommendation: We recommend the City obtain a copy of the most recent contract between the City and the third-party management company. This contract should be reviewed and analyzed and the results of this analysis should be compared to the accounting records to ensure there are no monies due to the City. If the City is unable to locate a current contract, a new management contract should be executed. Additionally, we recommend the City establish a set of policies and procedures governing the City's oversight of Beacon Theatre's operations and the accurate recording of the financial activity on a recurring basis.

Repeat Finding: No

Views of Responsible Officials: Management of the City agrees with the Auditor's findings and recommendations.

2016-005: Material Weakness Due to School Federal Program Cutoff Errors

Criteria: According GAAP, "Recognition of assets and revenues should not be delayed pending completion of purely routine requirements, such as the filing of claims for allowable costs under a reimbursement program."

Condition/Context: The School Board recorded Federal program revenues for certain programs in a different fiscal year than the corresponding expenditures for the federal programs. The revenue and associated amounts that were due from other governments were not recorded until after the reimbursement request had been submitted.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-005: Material Weakness Due to School Federal Program Cutoff Errors (Continued)

Cause: Revenues and expenditures were not recorded in the same period for certain federal programs by the School Board.

Effect: A material restatement was made to prior year federal revenue and amounts due from other governments for \$2.1 million and a material adjustment was made to current year revenue and amounts due from other governments for \$1.9 million.

Recommendation: We recommend the School Board reconcile revenues and expenditures related to federal programs to ensure amounts are reported in the correct period and in accordance with GAAP.

Repeat Finding: No

Views of Responsible Officials: Management of the School Board agrees with the Auditor's findings and recommendations.

2016-006: Material Weakness Due to Community Development Block Grant Accounting Errors

Criteria: Revenues for the Community Development Block Grant should be recorded in the same period in which expenditures are incurred.

Condition/Context: The Community Development Block Grant program activity was not reconciled. Revenues and expenditures were recorded in different periods.

Cause: There was a lack of reconciliation and oversight for this grant program in order to ensure that revenues and expenditures were recorded in the same period.

Effect: Lack of reconciliation and oversight resulted in noncompliance with GAAP. A material audit adjustment was made to the current year and prior year balances were restated.

Recommendation: We recommend the City increase levels of oversight over the Community Development Block Grant and ensure accurate reconciliations are performed for program revenues and expenditures.

Repeat Finding: No

Views of Responsible Officials: Management of the City agrees with the Auditor's findings and recommendations.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)**A. Material Weaknesses in Internal Control (Continued)****2016-007: Material Weakness Due to Lack of Segregation of Duties and System Based Logical Access Controls**

Criteria: Users with the ability to administer security to the financial applications should be segregated from users with the ability to administer the financial application's database and from those with end user capabilities to the financial applications. User access controls as well as system security should be monitored and evaluated on a periodic basis.

Condition/Context: The City implemented MUNIS in September 2014. It was noted that the City does not maintain proper segregation of duties over security, administration, and end user access to the financial application and database. Specifically, the City's Database Administrator has access to administer security within the MUNIS application, as well as being the administrator over the MUNIS database. Additionally, other end users of financial applications, including the Director of Finance, also have administrative permissions. These permissions could result in users having inappropriate access. It was noted that the City does not perform a periodic review of access privileges to the MUNIS application. Access privileges to the MUNIS application should be periodically reviewed by the users' management to verify that the level of access still accurately reflects the minimum level required for the user to perform their job function and accurately reflects an appropriate level of segregation of duties within logical access.

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

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

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

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-007: Material Weakness Due to Lack of Segregation of Duties and System Based Logical Access Controls (Continued)

Recommendation: We recommend the City:

- A. Segregate users with the ability to administer security to the financial application from users with the ability to administer the financial application's database. In addition, the City should segregate access for users with the ability to administer security to the financial application from those with end user capabilities to the financial application. If access cannot be segregated, a mitigating control should be implemented to log all security changes made by the personnel and be periodically reviewed by an independent group.
- B. Perform scheduled periodic reviews of user access for the MUNIS application on an annual basis in order to identify unauthorized/inappropriate access based on job function, as well as to identify any terminated users who have remained active in the application. These reviews should be documented and changes identified during the access review should be processed in accordance with the access provisioning procedures.
- C. Revise the current network settings for password length and account lockout threshold to the industry best practices of eight characters in length and three invalid attempts, respectively.

Repeat Finding: 2015-003

Views of Responsible Officials: Management of the City agrees with the Auditor's findings and recommendations.

2016-008: Material Weakness Due to Untimely Social Services LASER Reconciliations to the General Ledger

Criteria: According to the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, Chapters 3-15 Social Services section entitled *General Ledger Reconciliation*, "amounts reported in LASER must be reconciled monthly to be in compliance with Section 3.60, LASER Expenditure Reconciliation and Certification, of the *LDSS Finance Guidelines Manual for Local Departments of Social Service*."

Condition/Context: During the fiscal year 2016 audit, it was determined the monthly LASER amounts were not being reconciled to the general ledger. The fiscal year ended 2016 LASER reconciliation was not completed until June 2018.

Cause: Lack of monthly reconciliations and monitoring of compliance.

Effect: Noncompliance with reconciliation requirements resulted in errors in recording transactions and in lack of reimbursement of certain eligible expenses resulting in a loss of state revenue.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-008: Material Weakness Due to Untimely Social Services LASER Reconciliations to the General Ledger (Continued)

Recommendation: We recommend the City and Department of Social Services implement procedures to ensure compliance with the specifications of the APA and perform timely LASER reconciliations to the general ledger.

Repeat Finding: No

Views of Responsible Officials: Management of the City agrees with the Auditor's findings and recommendations.

2016-009: Material Weakness Due to Lack of Debt Management Procedures

Criteria: Debt management procedures should exist to ensure capital expenditures associated with debt agreements are paid from the debt proceeds and not operating funds. The procedures should include steps to monitor compliance with all debt covenants.

Condition/Context: The City has unspent bond proceeds invested in the Virginia State Non-Arbitrage Program (SNAP) and is not reconciling the SNAP investment accounts to capital project activity; therefore, drawdowns of the bond proceeds are not occurring timely. Capital expenditures incurred are initially being paid for using operating funds instead of immediately from corresponding bond proceeds.

Cause: Lack of reconciliations and debt management procedures.

Effect: Capital expenditures are being paid from operating funds instead of from associated bond proceeds and debt covenants have not been complied with.

Recommendation: We recommend the City implement debt management procedures, reconcile bond proceeds to capital expenditure activity.

Repeat Finding: No

Views of Responsible Officials: Management of the City agrees with the Auditor's findings and recommendations.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-010: Material Weakness in Children’s Services Act Allowability and Eligibility Procedures

Criteria: Pool disbursement transactions must be supported by a written contract or service agreement. They must be provided to a specific eligible youth or family (and include a child-specific unit price if contracts or purchase orders cover services for more than one youth). Disbursements must also be made as authorized by Community Policy Management Team policies and procedures, which must be consistent with the *Code of Virginia* statutes and the CSA Policy Manual.

Condition/Context: Of the 60 pool disbursement transactions selected for testing, no Individual and Family Service Plan could be located for 16 clients and, therefore, no documentation of mandated or non-mandated determination was maintained. Pervasive to all transactions tested, purchase orders were not created or approved until after the date the service was provided. Known fraudulent activity occurred prior to fiscal year 2016, resulting in a special state review conducted on activity from 2013-2015.

Cause: Lack of oversight and monitoring of the CSA program requirements.

Effect: A weak internal control environment lacking required supporting documentation has the potential to result in improper and/or fraudulent expenses. As a result of both the special state review and litigation related to the fraudulent activity, the City was required to pay the Commonwealth of Virginia \$1,457,221 due to violations of Virginia law and CSA policy.

Recommendation: All purchases need to be reviewed for proper procurement procedures prior to committing funds. Required documentation should be maintained for all case files to support the mandated or non-mandated determination and plan of service. Increased levels of oversight and monitoring should occur to ensure compliance with Virginia law and CSA policy.

Repeat Finding: No

Views of Responsible Officials: Management of the City agrees with the Auditor’s findings and recommendations.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)

A. Material Weaknesses in Internal Control (Continued)

2016-011: Material Weakness Related to School Board's Preparation of Schedule of Expenditures of Federal Awards

Criteria: Recipients of federal awards are required to track and maintain a complete and accurate accounting of expenditures associated with federal awards. These expenditures are required to be summarized and presented within the Schedule of Expenditures of Federal Awards (Schedule).

Condition/Context: During fieldwork, we were not provided a complete and accurate Schedule. The School Board's Schedule was incorrectly based on revenues, not expenditures. This resulted in the Schedule for the School Board having material errors in the presentation of federal expenditures for fiscal year 2016.

Cause: There was a lack of knowledge of how to prepare an accurate Schedule. Revenues and expenditures were not recorded in the same period for certain federal programs.

Effect: School Board's Schedule was materially misstated.

Recommendation: We recommend the School Board reconcile revenues and expenditures related to federal programs to ensure amounts are reported in the correct period. The Schedule should be reviewed to ensure all expenditures reported are accurate and complete for the period.

Repeat Finding: No

Views of Responsible Officials: Management of the School Board agrees with the Auditor's findings and recommendations.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)

B. Significant Deficiency

2016-012: Significant Deficiency Due to Lack of Supporting Documentation of Note Receivable

Criteria: Notes receivable should be supported by adequate documentation, including signed agreements between the parties involved.

Condition/Context: Upon auditing notes receivable recorded by the Sewer Service Fund, the Sewer Service Fund staff were unable to provide a written, signed agreement between the two affected parties, detailing terms and conditions.

Cause: Inadequate policies and procedures are in place regarding the retention and filing of these types of documents.

Effect: Without a signed, written agreement between the two parties, collection of payments on this note could be unenforceable if the payee were to stop making scheduled payments. This could result in forfeiture of a significant amount of money for the Sewer Service Fund.

Recommendation: We recommend the City and Sewer Service Fund establish policies and procedures addressing the retention and filing of legal agreements and address the lack of a signed agreement with the Sewer Service Fund.

Repeat Finding: No

Views of Responsible Officials: Management of the City agrees with the Auditor's findings and recommendations.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)

C. Compliance Findings

2016-013: Untimely Social Services LASER Reconciliations to the General Ledger

See finding 2016-008.

2016-014: Lack of Social Services Annual Review of Computer Access

Criteria: According to the *Specifications for Audits of Counties, Cities and Towns*, issued by the APA of the Commonwealth of Virginia, Chapter 3-15 Social Services section entitled *Annual Review of Access*, “Each LSO should be annually reviewing all employees’ access to each application with employees’ supervisors to ensure that the access is properly aligned with job responsibilities.”

Condition/Context: In testing the annual review of computer access of six employees, it was determined computer access was reviewed only when employees needed access changes and not on an annual basis as required.

Cause: Lack of knowledge of compliance requirement.

Effect: Noncompliance with regulations may result in employees retaining inappropriate user access.

Recommendation: We recommend all employees’ access be reviewed annually in order to ensure compliance with this requirement.

Repeat Finding: No

Views of Responsible Officials: Management of the City agrees with the Auditor’s findings and recommendations.

2016-015: Interest Not Credited to Special Welfare Participants’ Accounts on a Monthly Basis

Criteria: According to the *Specifications for Audits of Counties, Cities and Towns*, issued by the APA of the Commonwealth of Virginia, Chapter 3-15 Social Services section entitled *Child Welfare Trust Accounts*, special welfare account receipts should be credited accurately and timely to the special welfare account, and interest should be properly credited to the account when earned.

Condition/Context: In testing the receipts and disbursements for three special welfare participants, it was noted that interest was not properly credited to participant balances when earned.

Cause: The Department of Social Services does not receive the bank statements from the Treasurer soon enough to timely credit the interest when earned. For example, the July 2015 bank statement was received by the Department of Social Services in July 2016.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)

C. Compliance Findings (Continued)

2016-015: Interest Not Credited to Special Welfare Participants' Accounts on a Monthly Basis (Continued)

Effect: Noncompliance with this requirement could result in sanctions.

Recommendation: We recommend the Treasurer of the City provide the Department of Social Services bank statements monthly in order for interest to be properly credited when earned for special welfare accounts.

Repeat Finding: No

Views of Responsible Officials: Management of the City agrees with the Auditor's findings and recommendations.

2016-016: Commonwealth of Virginia Yearly Financial Reporting

Criteria: According to Section 15.2-2510 of the *Code of Virginia*, local governments must submit their audited financial report to the Commonwealth of Virginia's APA by November 30 of each year.

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

Cause: The City lacked the appropriate internal controls necessary to close the year end books, reconcile account balances, analyze the period transactions, and assimilate and accumulate such data into a timely, GAAP compliant financial report.

Effect: Noncompliance with the Commonwealth's requirements may result in sanctions.

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

Repeat Finding: This is a repeat of finding 2015-004.

Views of Responsible Officials: Management of the City agrees with the Auditor's findings and recommendations.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)

C. Compliance Findings (Continued)

2016-017: Children's Services Act Allowability and Eligibility Procedures

See finding 2016-010.

2016-018: Conflicts of Interest

Criteria: According to the *Specifications for Audits of Counties, Cities and Towns*, issued by the APA of the Commonwealth of Virginia, Chapter 3-5 section entitled *Conflicts of Interest*, "The State and Local Government Conflicts of Interest Act is contained in Chapter 31 (Section 2.2-3100 et. seq.) of Title 2.2 of the *Code of Virginia*. The Act requires local government officials to file a statement of economic interests with the office of the Virginia Conflict of Interest and Ethics Advisory Council semiannually by December 15 for the preceding six-month period ending October 31 and by June 15 for the preceding six-month period ending April 30. The Act sets out the format of this statement, which involves extensive disclosure of personal financial interests that may cause conflicts."

Condition/Context: Three of the required statements of economic interests were not submitted.

Cause: Lack of due diligence and oversight to comply with the requirement noted above.

Effect: Noncompliance with this requirement could result in undisclosed personal financial interests that may cause conflicts.

Recommendation: We recommend increased levels of oversight to ensure the applicable local government officials file the required statements by the semiannual deadlines noted above.

Repeat Finding: No

Views of Responsible Officials: Management of the City agrees with the Auditor's findings and recommendations.

2016-019: Noncompliance with Debt Covenants

Criteria: The Series 2015 General Obligation Public Improvement Bond, Series 2015A General Obligation Public Improvement Bond, Series 2010 Sewer System Revenue Bond, Series 2011A Sewer System Revenue Refunding Bond and the Series 2011B Sewer System Revenue Bond require the City to submit audited financial reports to the purchaser within 270 days of the fiscal year end and, if not available, the City is required to provide unaudited financial statements at that time. The Series 2011 General Obligation School Bond and the Series 2010 General Obligation School Bond require the City to submit annual reports to the purchaser no later than twelve months after the fiscal year end. The Series 2011 General Obligation School Bond requires the City to submit audited financial statements to the purchaser on or before March 31 following the end of the City's fiscal year. The Series 2014 Taxable Sewer System Revenue Bond, Series 2011 General Obligation Public Improvement and Refunding Bonds and Series 2010 Sewer System Revenue Bonds require debt service reserves.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)

C. Compliance Findings (Continued)

2016-019: Noncompliance with Debt Covenants (Continued)

Condition/Context: The City did not provide audited or unaudited financial reports by the deadlines required by the debt covenants. Also, the City did not monitor debt service reserve accounts to ensure compliance with the requirements.

Cause: Lack of debt management procedures, oversight and monitoring of debt covenants.

Effect: Noncompliance with debt covenants could result in the debt being called.

Recommendation: We recommend increased levels of oversight and monitoring of all debt covenant requirements.

Repeat Finding: No

Views of Responsible Officials: Management of the City agrees with the Auditor's findings and recommendations.

2016-020: Bank Not Identified as a Public Depository and Bank Accounts Not Identified as a Public Deposit

Criteria: The *Code of Virginia* contains various requirements designed to safeguard state and local funds. Deposits must be secured in accordance with the Virginia Security for Public Deposits Act. The Act requires governments to use bank and financial institutions that meet specific collateralization requirements. Treasurers must ensure the qualified depository identifies the account(s) as public deposits.

Condition/Context: Upon auditing cash, it was determined that one of the banks used by the City was not identified as a qualified public depository. Furthermore, three bank accounts containing public monies were not identified individually by the financial institution as public deposits.

Cause: Lack of knowledge about the compliance requirements noted above.

Effect: The City is not in compliance with the *Code of Virginia*.

Recommendation: We recommend the Treasurer of the City review all of their accounts and ensure that accounts containing public deposits are properly marked as such. Additionally, the Treasurer of the City should determine with financial institutions that all of the City's public deposits are secured and ensure the financial institutions are included on the Department of the Treasury's listing of qualified depositories.

Repeat Finding: No

Views of Responsible Officials: Management of the City agrees with the Auditor's findings and recommendations.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016

Section I. FINANCIAL STATEMENT FINDINGS (Continued)

C. Compliance Findings (Continued)

2016-021: Lack of Compliance with Sections 15.2-2506 and 58.1-3001 of the *Code of Virginia* in the City's Virginia Public Assistance Fund

Criteria: No money may be paid out for any expenditure unless and until the governing body has made an appropriation for the expenditure (Sections 15.2-2506 and 58.1-3001 of the *Code of Virginia*).

Condition/Context: Upon auditing the City's Virginia Public Assistance Fund's year-end expenditures compared to their final approved budget, expenditures exceeded the final appropriated budget by a material amount.

Cause: There was a lack of budget monitoring throughout the year to ensure that sufficient appropriations were made for the City's Virginia Public Assistance Fund expenditures.

Effect: The City has not complied with Sections 15.2-2506 and 58.1-3001 of the *Code of Virginia* and has made disbursements in the Virginia Public Assistance Fund in excess of appropriations.

Recommendation: We recommend the City monitor the budget for all funds more closely throughout the year to ensure compliance with the *Code of Virginia*.

Views of Responsible Officials: Management of the City agrees with the Auditor's findings and recommendations.