

# AGENDA



# CITY OF HOPEWELL

Hopewell, Virginia 23860

## AGENDA

(804) 541-2249

www.hopewellva.gov  
info@hopewellva.gov  
rarrington@hopewellva.gov

### CITY COUNCIL

Jasmine E. Gore, Mayor, Ward #4  
Patience Bennett, Vice Mayor, Ward #7  
Debbie Randolph, Councilor, Ward #1  
Arlene Holloway, Councilor, Ward #2  
John B. Partin, Jr., Councilor, Ward #3  
Janice Denton, Councilor, Ward #5  
Brenda S. Pelham, Councilor, Ward #6

John M. Altman, Jr., City Manager  
Sandra. Robinson, City Attorney  
Ronnieye L. Arrington, City Clerk

July 23, 2019

**COUNCIL CHAMBERS**  
**300 N MAIN ST. HOPEWELL VA**

**Special Meeting: 6:30 PM**

### OPEN SPECIAL MEETING

6:30 p.m. Call to order, roll call, and welcome to visitors

#### Unfinished Business

#### UB-1 Modification of Existing Construction Contract

**ISSUE:** City Contract 10-18 was awarded in the amount of \$271,895.00 to complete two (2) separate VDOT Revenue Sharing Projects. During the execution of the first project (Route 156 Culvert Repair and Extension) unknown site conditions warranted additional storm drainage and slope repairs within the project limits. This additional work did not exceed the original contract value, but will exceed the modification increase of twenty-five (25) percent of the amount of the original contract once the second planned project (Industrial Street Turn Lane and Circle Improvements) is completed. Staff is seeking an additional \$77,686.90 above the allowable twenty-five (25) percent increase to offset the additional unexpected work and complete the second project. The required funds are in the recently approved FY 2020 Capital Improvement Program for VDOT Match Projects and was included as the number one priority project.

**MOTION:** \_\_\_\_\_

#### Roll Call

#### UB-2 Vote to approve the proposed Community Development Block Grant (CDBG) FY 2019-2020 Budget

**ISSUE:** The City of Hopewell has been notified that it will receive \$190,398 in CDBG funding for the FY 2018-2019. City Staff has reviewed all applications for funding submitted by various agencies and have developed a proposed CDBG budget for City Council's

consideration. City Administration provided City Council with three priorities for the 2015-2020 Consolidated Plan. They are housing /homelessness, early childhood development, and elder care. Funding recommendations for the upcoming year are based on these goals. The 19-20 Annual Action Plan describes the projects that will be funded in the fourth year of the Consolidated Plan.

**MOTION:**

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**Roll Call**

**Special Business**

**SB-1 CAFR Update – FY2015 – Cherry Beckaert (include transmittal files, SEFAs)**

**ISSUE:** Request previous auditors provide information and respond to Council questions regarding the FY2015 CAFR.

**MOTION:**

---

**Roll Call**

**SB-2 CAFR Update – FY2016 – PB Mares (include transmittal files, SEFAs)**

**ISSUE:** Request auditors provide information and respond to Council questions regarding the FY2016 CAFR.

**MOTION:**

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**Roll Call**

**SB-3 CAFR Update – FY2017 – PB Mares (include transmittal files, SEFAs)**

**ISSUE:** Request auditors provide information and respond to Council questions regarding the FY2017 CAFR.

**MOTION:**

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**Roll Call**

**SB-4 Audit Update – CPMT/CSA Office**

**ISSUE:** Request update from CPMT and CSA office regarding results of special audit, and status as to what changes have been implemented to correct negative audit findings.

**MOTION:** \_\_\_\_\_  
\_\_\_\_\_

**Roll Call**

**SB-5 Audit Update – CAFRs**

**ISSUE:** The City Manager and Finance Director are asked to provide an update on items that could not be updated on the 2017 CAFR.

**MOTION:** \_\_\_\_\_  
\_\_\_\_\_

**Roll Call**

**SB-6 Strategic Plan**

**ISSUE:** Request that Council determine a deadline for staff to complete draft tasks, costs, and time frame for items listed by Council in Part II of the Strategic Plan Advance. Request that Council set a work session to review cost and time frame to determine level of priority and approval.

**MOTION:** \_\_\_\_\_  
\_\_\_\_\_

**Roll Call**

**SB-7 State of the City Address**

**ISSUE:** This item was in process prior to the Town Halls, but was never actually completed. Request that Council select a new date to conduct this event.

**MOTION:** \_\_\_\_\_  
\_\_\_\_\_

**Roll Call**



**SB-8 “I Love Hopewell” National Night Out City Council contribution.**

**ISSUE:** The City Council Workforce Intern has been working with Hopewell citizens and City staff to develop the “I Love Hopewell” Community Showcase. City Council has been briefed on the idea to create a showcase to be supportive of the National League of Cities (NLC) Summer of Love- I Love My City initiative. This initiative is asking for all member City’s to encourage civic engagement, work towards building a community for all generations, uplifting legacy cities and ensuring housing for all.

**MOTION:** \_\_\_\_\_

\_\_\_\_\_

**Roll Call**

**Reports of City Council:**

**Individual Councilors**

- IR-1 Gore/Pelham** - Request a July 9<sup>th</sup> or 23<sup>rd</sup> Work Session with Financial auditors PB Mares for City Council to be briefed on FY17 audit results. Include staff briefing on Fy15, Fy16, Fy17-Fy19 Audits. To include Schedule of Expenditures of Federal Awards (SEFA)’s & consequences for that finial report not being completed. To include individual cost for each CAFR to date. (to include outside staff/temps not previously within Finance Department – FY15-16 audits in particular) To include how many separate financial management systems are utilized by City Staff outside of MUNIS, and which ones do not currently integrate with the City’s Financial System.
- IR-2 Gore/Pelham** - Request City Council vote to begin addressing material weaknesses found in City Comprehensive Annual Financial Reports (CAFR) and/or any other office/department audit immediately, as opposed to waiting until the FY19 or FY20 audit is completed as suggested and supported by some members of City Council. Council to begin with addressing repeat audit findings. Refer to previous Agenda Packets and IR Requests to address specific audit findings, accounts and departments to no avail. Request Council hire an internal auditor
- IR-3 Gore/Pelham** - Request City Council hire an internal auditor to begin work immediately on consolidating and investigating Council on audit findings and to provide an overview of the liabilities posed by not addressing material weaknesses and poor audit findings. Present plan on how to provide internal control structures/measures for Council to provide efficient finical oversight and to place the City in a better management status for upcoming financial/program audits.
- IR-4 Gore** - Request City Council adopt a citywide policy that requires monthly reconciliation of all public accounts and the elimination of budget transfers between City Departments.

Records must be supplied to City Council Finance Committee for review and then disseminated to all members of City Council. Request draft be submitted to City Council for review at July 9<sup>th</sup> Regular Meeting- at the start of the FY20 Fiscal year that begins on July 1<sup>st</sup>.

- IR-5 Gore** - Request all internal city policies existing policies and procedures over the billing, third-party booking, collections and accounting functions of the Sewer Service Fund, Solid Waste Fund, Storm Water Fund, social services department, and Beacon Theatre Fund. Request all internal city policies pertaining to all forms of reconciliations (credit card/account, etc.), repeated purchasing from same vendor/store (threshold/frequency) and requirements for supporting documents and/or purchase justifications. Deadline to submit to Council July 8<sup>th</sup>.

**Citizen/Councilor Requests**

**Adjournment**

# **UNFINISHED BUSINESS**

**UB-1**



# CITY OF HOPEWELL CITY COUNCIL ACTION FORM

**Strategic Operating Plan Vision Theme:**

- Civic Engagement
- Culture & Recreation
- Economic Development
- Education
- Housing
- Safe & Healthy Environment
- None (Does not apply)

**Order of Business:**

- Consent Agenda
- Public Hearing
- Presentation-Boards/Commissions
- Unfinished Business
- Citizen/Councilor Request
- Regular Business
- Reports of Council Committees

**Action:**

- Approve and File
- Take Appropriate Action
- Receive & File (no motion required)
- Approve Ordinance 1<sup>st</sup> Reading
- Approve Ordinance 2<sup>nd</sup> Reading
- Set a Public Hearing
- Approve on Emergency Measure

**COUNCIL AGENDA ITEM TITLE:**

Modification of Existing Construction Contract

**ISSUE:** City Contract 10-18 was awarded in the amount of \$271,895.00 to complete two (2) separate VDOT Revenue Sharing Projects. During the execution of the first project (Route 156 Culvert Repair and Extension) unknown site conditions warranted additional storm drainage and slope repairs within the project limits. This additional work did not exceed the original contract value, but will exceed the modification increase of twenty-five (25) percent of the amount of the original contract once the second planned project (Industrial Street Turn Lane and Circle Improvements) is completed. Staff is seeking an additional \$77,686.90 above the allowable twenty-five (25) percent increase to offset the additional unexpected work and complete the second project. The required funds are in the recently approved FY 2020 Capital Improvement Program for VDOT Match Projects and was included as the number one priority project.

**RECOMMENDATION:** Staff recommends modification of the contract in the amount of \$77,686.90 above the allowable twenty-five (25) percent increase to complete the work.

**TIMING:** Staff is seeking approval on July 9, 2019 so that the contract modification can be executed and work started.

**BACKGROUND:** Virginia Public Procurement Act § 2.2-4309

**ENCLOSED DOCUMENTS:**

- None

**STAFF:****SUMMARY:**

Y	N		Y	N	
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Debbie Randolph, Ward #1	<input type="checkbox"/>	<input type="checkbox"/>	Councilor Janice Denton, Ward #5
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Arlene Holloway, Ward #2	<input type="checkbox"/>	<input type="checkbox"/>	Councilor Brenda Pelham, Ward #6
<input type="checkbox"/>	<input type="checkbox"/>	Councilor John B. Partin, Ward #3	<input type="checkbox"/>	<input type="checkbox"/>	Vice Mayor Patience Bennett, Ward #7
<input type="checkbox"/>	<input type="checkbox"/>	Mayor Jasmine Gore, Ward #4			

Johnnie Butler, City Engineer

Austin Anderson, Construction Manager

**FOR IN MEETING USE ONLY**

**MOTION:** \_\_\_\_\_

\_\_\_\_\_

**Roll Call**

**SUMMARY:**

- |                          |                          |                                    |
|--------------------------|--------------------------|------------------------------------|
| <b>Y</b>                 | <b>N</b>                 |                                    |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor Debbie Randolph, Ward #1 |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor Arlene Holloway, Ward #2 |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor John B. Partin, Ward #3  |
| <input type="checkbox"/> | <input type="checkbox"/> | Mayor Jasmine Gore, Ward #4        |

- |                          |                          |                                      |
|--------------------------|--------------------------|--------------------------------------|
| <b>Y</b>                 | <b>N</b>                 |                                      |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor Janice Denton, Ward #5     |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor Brenda Pelham, Ward #6     |
| <input type="checkbox"/> | <input type="checkbox"/> | Vice Mayor Patience Bennett, Ward #7 |

**UB-2**



# CITY OF HOPEWELL CITY COUNCIL ACTION FORM

**Strategic Operating Plan Vision Theme:**

- Civic Engagement
- Culture & Recreation
- Economic Development
- Education
- Housing
- Safe & Healthy Environment
- None (Does not apply)

**Order of Business:**

- Consent Agenda
- Public Hearing
- Presentation-Boards/Commissions
- Unfinished Business
- Citizen/Councilor Request
- Regular Business
- Reports of Council Committees

**Action:**

- Approve and File
- Take Appropriate Action
- Receive & File (no motion required)
- Approve Ordinance 1<sup>st</sup> Reading
- Approve Ordinance 2<sup>nd</sup> Reading
- Set a Public Hearing
- Approve on Emergency Measure

**COUNCIL AGENDA ITEM TITLE:**

Vote to approve the proposed Community Development Block Grant (CDBG) FY 2019-2020 Budget

**ISSUE:** The City of Hopewell has been notified that it will receive \$190,398 in CDBG funding for the FY 2018-2019. City Staff has reviewed all applications for funding submitted by various agencies and have developed a proposed CDBG budget for City Council’s consideration. City Administration provided City Council with three priorities for the 2015-2020 Consolidated Plan. They are housing/homelessness, early childhood development, and elder care. Funding recommendations for the upcoming year are based on these goals. The 19-20 Annual Action Plan describes the projects that will be funded in the fourth year of the Consolidated Plan.

**RECOMMENDATION:** Re-appropriate \$62,961.12 of CDBG dollars. Approve and appropriate a total of \$253,359.12 for the FY2019-2020 CDBG Budget, and authorize the City Manager to submit the 2019-2020 Action Plan to the United States Department of Housing and Urban Development (HUD).

**TIMING:** City Council action is requested on July 23, 2019.

**BACKGROUND:** The City of Hopewell is a HUD entitlement community. Each year the City receives funding through the CDBG. Every five years the City must undergo a rigorous public input process to update the goals and priorities of the CDBG program. This process was completed in 2014. Each year a public hearing must be held by City Council to consider citizen comments regarding the proposed CDBG budget.

**ENCLOSED DOCUMENTS:**

- Proposed Budget Resolution
- Power Point Presentation

**STAFF:** Tevya W. Griffin, Director of Development  
Bill Dore, Housing and Grants Coordinator

**SUMMARY:**

Y	N		Y	N	
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Debbie Randolph, Ward #1	<input type="checkbox"/>	<input type="checkbox"/>	Councilor Janice Denton, Ward #5
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Arlene Holloway, Ward #2	<input type="checkbox"/>	<input type="checkbox"/>	Councilor Brenda Pelham, Ward #6
<input type="checkbox"/>	<input type="checkbox"/>	Councilor John B. Partin, Ward #3	<input type="checkbox"/>	<input type="checkbox"/>	Vice Mayor Patience Bennett, Ward #7
<input type="checkbox"/>	<input type="checkbox"/>	Mayor Jasmine Gore, Ward #4			



**FOR IN MEETING USE ONLY**

**MOTION:** \_\_\_\_\_

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**Roll Call**

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**SUMMARY:**

- | <b>Y</b>                 | <b>N</b>                 |                                    |
|--------------------------|--------------------------|------------------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor Debbie Randolph, Ward #1 |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor Arlene Holloway, Ward #2 |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor John B. Partin, Ward #3  |
| <input type="checkbox"/> | <input type="checkbox"/> | Mayor Jasmine Gore, Ward #4        |

- | <b>Y</b>                 | <b>N</b>                 |                                      |
|--------------------------|--------------------------|--------------------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor Janice Denton, Ward #5     |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor Brenda Pelham, Ward #6     |
| <input type="checkbox"/> | <input type="checkbox"/> | Vice Mayor Patience Bennett, Ward #7 |

# Community Development Block Grant Funding

Fiscal Year 2019-2020

# Mission of HUD

HUD's mission is to create strong, sustainable, inclusive communities  
and  
quality affordable homes for all

# Strategic Goals of the City Council (Adopted September 2014) Pertaining to CDBG Funding

- ▶ City Beautification
  - ▶ Rehabilitation of Housing
  - ▶ Education, primarily adult and pre-school literacy
  - ▶ Household Services including elderly and disabled
  - ▶ Public Safety

# Impact of Federal Budget Increases

- ▶ Increase in total funding of 7.1 percent or \$12,550
- ▶ Public Service Funds increased \$1,882 (capped at 15% of total allocation)
- ▶ Administrative funds increased \$2,509 (capped at 20% of total allocation)
- ▶ Other funds are applied based on remaining amounts

# FY 2019-2020 Proposed Budget

Budget Item	Amount by Rule	Funding Recommended	Change	Comments
HUD Allocation	\$190,398	\$190,398	0.0%	No Comments
Public Service at 15%	\$28,559	\$28,553	<0.1%	These items typically support homeless prevention, homelessness programs, victims of violence and potential child abuse and elderly projects
Administrative Planning	\$38,079	\$38,079	0.0%	Technical training of non-profits, numerous new HUD regulations to create operating procedures to be enacted,
Remaining Balance for Housing Rehabilitation	\$123,760	\$123,766	0.0%	Rehabilitate Housing for Qualified Owner-Occupants

# HOWEVER

## Re-purposed Funds from Previous Years

- We are de-obligating funds that HUD has ruled have been for ineligible activities in the amount of 62,961.12. These funds will be re-allocated for use in FY 2019-2020. Funds for both Public Service and Administrative purposes are capped based on the actual allocation from HUD.
- Total APPROPRIATION IS \$253,359.12 for FY 2019-2020

# FY 2019-2020 Proposed Budget

Budget Item	Amount by Rule	Funding Recommended	Change	Comments
HUD Allocation	\$190,398	\$253,359.12	10.0%	No Comments
Public Service at 15%	\$28,559	\$28,553	<0.1%	These items typically support homeless prevention, homelessness programs, victims of violence and potential child abuse and elderly projects
Administrative Planning	\$38,079	\$38,079	0.0%	Technical training of non-profits, numerous new HUD regulations to create operating procedures to be enacted.
Remaining Balance for Housing Rehabilitation	\$123,760	186,727.12	2.8%	Rehabilitate Housing for Qualified Owner-Occupants
Disaster Recovery (Preventive Measure)	\$0.00	\$0.00	0.0%	The activity is in our budget in case we have a disaster that HUD funds might be utilized in the future. Helps cut red tape.



# 2019-2020 Appropriation Recommendations



# Public Service Funds (\$26,667)

Recommended Amount	Project	Organization	Description	Goal
\$4,079	Yellow Card Program	Hopewell Food Pantry (CD911)	Provides food on a monthly basis to seniors and disabled persons in Hopewell	Household Services
\$4,079	Respite Care Program - Elderly	Recs and Parks, City of Hopewell (CD909)	Provides funds for recreation, day care, education and cultural activities to the elderly and disabled their care givers	Household Services - Disabled and Elderly
\$4,079	Home Visitation	Hopewell-Prince Georges County Health Families (CD905)	Provides funds for early intervention to reduce incidences of child abuse in “at-risk”	Household Services

# Public Service Funds (\$ 26,667)

Recommended Amount	Project	Organization	Description	Goal
\$4,079	Women’s and Children’s Shelters	CARES, Inc. (CD906)	Provides funds to provide emergency shelter for homeless women and children	Family Services
\$4,079	Domestic Violence Intervention	The James House (CD907)	Provides housing assistance and case management support for victims and families of violence.	Family Services
\$4,079	Family Resource Center	STORY (Formerly HRHA but now in a separate non-profit under HRHA umbrella) (CD923)	Assists public housing residents in obtaining job skills as they work toward self-sufficiency	Family Services
\$4,079	Permanent Supportive Housing	COMMONWEALTH CATHOLIC CHARITIES (CD924)	Provides funds to prevent homelessness and to rapidly re-house households that have become homeless	Household Services

# Housing Rehabilitation Funds (\$100,000)

Recommended Amount	Project	Organization	Description	Goal
\$93,363.56	Housing Rehabilitation	Rebuilding Together of Richmond (CD920)	Provides grant funds to rehabilitate homes owned by income eligible homeowner households	City Beautification; Neighborhood Revitalization
\$93,363.56	Emergency Housing Rehabilitation	PROJECT: Homes (CD919)	Provides grant funds to rehabilitate homes owned by income eligible homeowner households	City Beautification; Neighborhood Revitalization

# General Administrative Funds (\$35,570)

Recommended Amount	Project	Organization	Description	Goal
\$38,079	General Administration	City of Hopewell- Department of Development (CD901)	Provides funds to manage all aspects of grants management for HUD funds including budgeting, written agreements, reporting, compliance management and monitoring, advertising and fair housing.	Maintain effective government with optimal management and service practices, fully compliant with federal programs

# Recommendations

1. De-Obligate and Appropriate \$62,961.12 from previous years for FY 2019-2020
2. Approve our Fifth-Year Annual Action Plan with the Appropriations as presented
3. Provide Council Authorization for City Manager to submit the Fifth-Year Annual Action Plan to the Department of Housing and Urban Development

# Department of Development

Tevya Griffin - Director

Thank You



**SPECIAL  
MEETING**

**SB-1**



# CITY OF HOPEWELL CITY COUNCIL ACTION FORM

**Strategic Operating Plan Vision Theme:**

- Civic Engagement
- Culture & Recreation
- Economic Development
- Education
- Housing
- Safe & Healthy Environment
- None (Does not apply)

**Order of Business:**

- Consent Agenda
- Public Hearing
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**Action:**

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- Approve Ordinance 2<sup>nd</sup> Reading
- Set a Public Hearing
- Approve on Emergency Measure

**COUNCIL AGENDA ITEM TITLE:**

CAFR Update – FY2015 – Cherry Beckaert (include transmittal files, SEFAs)

**ISSUE:** Request previous auditors provide information and respond to Council questions regarding the FY2015 CAFR.

**RECOMMENDATION:****TIMING:****BACKGROUND:****ENCLOSED DOCUMENTS:**

- 2015 CAFR

**STAFF:**

John M. Altman, Jr., City Manager  
Michael Terry, Finance Director

**FOR IN MEETING USE ONLY**

**MOTION:** \_\_\_\_\_

**Roll Call****SUMMARY:**

- |                          |                          |                                    |                          |                          |                                      |
|--------------------------|--------------------------|------------------------------------|--------------------------|--------------------------|--------------------------------------|
| <b>Y</b>                 | <b>N</b>                 |                                    | <b>Y</b>                 | <b>N</b>                 |                                      |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor Debbie Randolph, Ward #1 | <input type="checkbox"/> | <input type="checkbox"/> | Councilor Janice Denton, Ward #5     |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor Arlene Holloway, Ward #2 | <input type="checkbox"/> | <input type="checkbox"/> | Councilor Brenda Pelham, Ward #6     |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor John B. Partin, Ward #3  | <input type="checkbox"/> | <input type="checkbox"/> | Vice Mayor Patience Bennett, Ward #7 |
| <input type="checkbox"/> | <input type="checkbox"/> | Mayor Jasmine Gore, Ward #4        |                          |                          |                                      |

# CITY OF HOPEWELL, VIRGINIA



**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015**

# **CITY OF HOPEWELL, VIRGINIA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2015**

Prepared by  
City of Hopewell, Virginia  
Department of Finance

## **INTRODUCTORY SECTION**

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

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

**CITY OFFICIALS (as of June 30, 2015)**

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

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

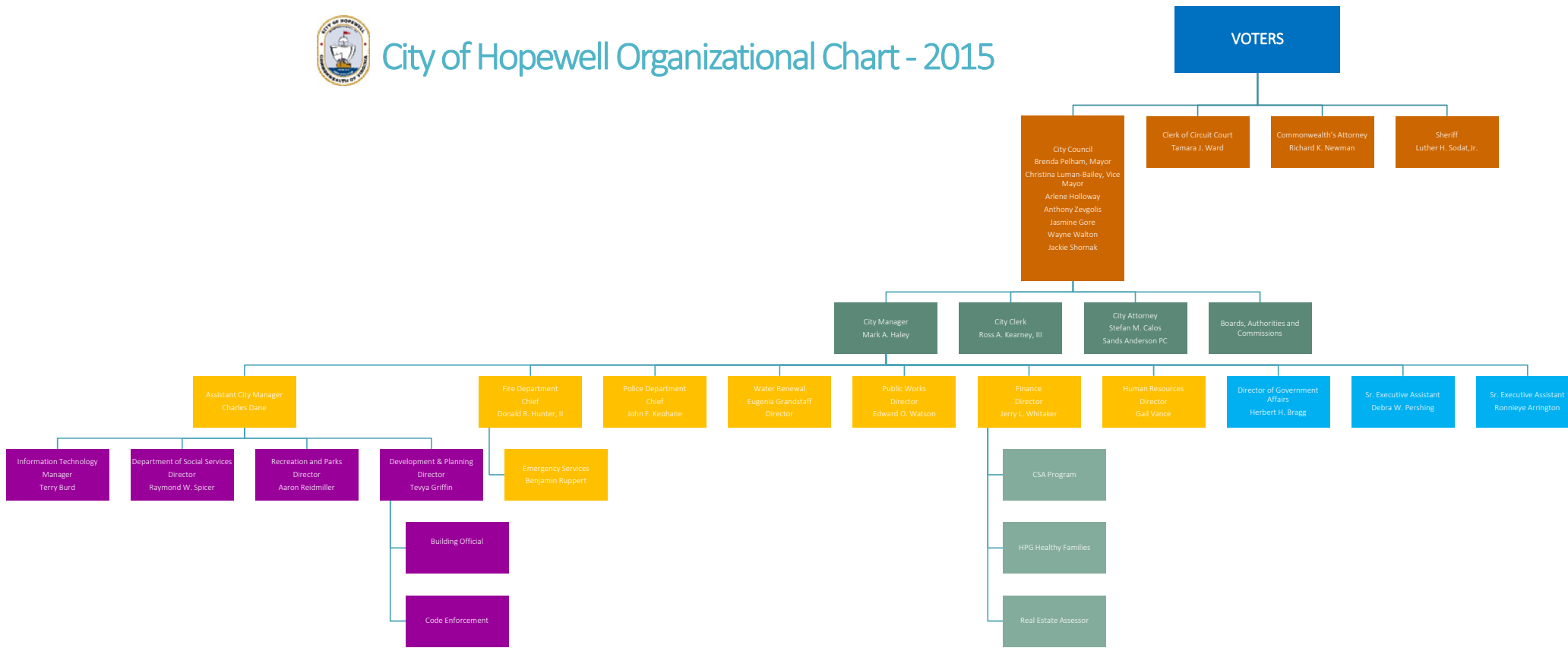
Jackie M. Shornak, Mayor  
 Jasmine E. Gore, Vice-Mayor  
 Christina J. Luman-Bailey    Arlene Holloway  
 Anthony Zevgolis           Janice Denton  
 Christina J. Luman-Bailey

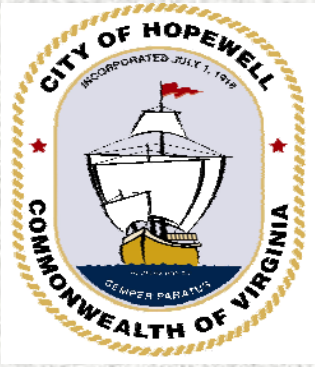
**CITY OFFICIALS (as of August 31, 2017)**

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



# City of Hopewell Organizational Chart - 2015





August 31, 2017

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

**TO THE HONORABLE MEMBERS OF CITY COUNCIL:**

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

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

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

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

**Mark A. Haley**  
City Manager

mhaley@hopewellva.gov  
p: 804.541.2243  
f: 804.541.2248

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

### ECONOMIC CONDITION AND OUTLOOK

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

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

### SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

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

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

#### Commissioner of Revenue

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

#### Finance

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

#### Fire

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

#### Regional Wastewater Treatment Facility

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

#### Neighborhood Assistance and Planning

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

#### Police

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

#### Public Works

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

#### Recreation & Parks

- Received the 2015 Playful Cities USA designation.

#### Human Resources

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

#### Social Services

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

#### Economic Development & Tourism

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

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

Public Schools

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

External partnerships include:

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

Internal partnerships include:

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

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

**FINANCIAL INFORMATION**

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

**Single Audit**

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

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

**Budgetary Controls**

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

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



### ***General Governmental Functions***

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

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

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

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

### ***Fund Balances***

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

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

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

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

### ***Proprietary Funds***

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

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

**Debt Administration**

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

	<u>Amount</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Debt per Capita</u>
Bonded Debt	\$ 63,229,416	4.79%	\$ 2,799

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

**Prospects for the Future**

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

**OTHER INFORMATION**

**Management, discussion and Analysis**


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

**Independent Audit**

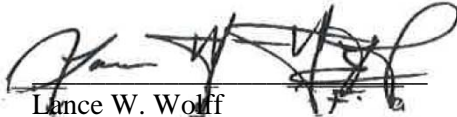
State Statutes require an annual audit by independent certified public accountants. The accounting firm of Cherry Bekaert LLP was selected by the City’s audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single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

**ACKNOWLEDGMENTS**

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



Mark A. Haley  
City Manager



Lance W. Wolff  
Interim Director of Finance

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## **FINANCIAL SECTION**

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## Report of Independent Auditors

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

### Report on the Financial Statements

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

### *Management’s Responsibility for the Financial Statements*

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

### *Auditor’s Responsibility*

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

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

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

### *Summary of Opinions*

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

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

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

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

***Qualified Opinion***

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion on the Business-type Activities, HRWTF Fund and Sewer Service Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, HRWTF Fund and Sewer Service Fund of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each governmental major fund, the Solid Waste Fund, the Storm Water Fund, the Beacon Theatre Fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

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

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

## **Other Reporting Required by *Government Auditing Standards***

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



Richmond, Virginia  
August 31, 2017



**The Honorable Members of City Council:**

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

**FINANCIAL HIGHLIGHTS (amounts rounded)**

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**City of Hopewell, Virginia  
Management's Discussion and Analysis  
Year Ended June 30, 2015**

Figure A-1 Major Features of City of Hopewell Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: solid waste, sewer services	Instances in which the City is trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Assets and Liabilities</li> <li>• Statement of Changes in Fiduciary Assets and Liabilities</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or sooner thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow of information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during year, regardless of when cash is received or paid

**Government-Wide Statements**

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

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

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

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

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

### **Fund Financial Statements**

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

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

The City has three kinds of funds:

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

**City of Hopewell, Virginia  
Management's Discussion and Analysis  
Year Ended June 30, 2015**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

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

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

**Table A-1**

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

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

\* Restated to reflect adjustments - see Footnote 16

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

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

**Changes in Net Position**

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

**Governmental Activities**

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

**City of Hopewell, Virginia  
Management's Discussion and Analysis  
Year Ended June 30, 2015**

**Business-Type Activities**

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

**Table A-2**

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

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

\* Restated to reflect adjustments - see Footnote 16

**City of Hopewell, Virginia  
Management's Discussion and Analysis  
Year Ended June 30, 2015**

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

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

**Table A-3**

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

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

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

**General Fund**

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

**Capital Projects Fund**

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

**Virginia Public Assistance Fund**

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

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

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets - Governmental and Business-Type Activities**

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

**Table A-4**

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

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

\* Restated to reflect adjustments - see Footnote 16

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

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

**Long-Term Debt - Governmental Activities**

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

**Table A-5**

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

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

\* Restated to reflect adjustments - see Footnote 16

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

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

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

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

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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



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

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

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

**Exhibit 2**

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

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

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

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

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

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

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

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
General property taxes	\$ 29,022,830	\$ -	\$ -	\$ -	\$ 29,022,830
Other local taxes	6,056,010	-	2,255,888	-	8,311,898
Permits, privilege fees, and regulatory licenses	230,893	-	-	-	230,893
Fines and forfeitures	1,545,064	-	-	-	1,545,064
Revenues from use of money and property	59,374	2	18,034	15,741	93,151
Charges for services	600,938	-	-	145,507	746,445
Miscellaneous	1,153,890	227	177,467	38,986	1,370,570
Recovered costs	382,500	-	-	-	382,500
Intergovernmental revenues:					
Commonwealth	6,655,860	1,358,909	366,457	26,351	8,407,577
Federal	119,299	2,199,813	-	24,422	2,343,534
Total revenues	<u>45,826,658</u>	<u>3,558,951</u>	<u>2,817,846</u>	<u>251,007</u>	<u>52,454,462</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	4,034,781	-	-	-	4,034,781
Judicial administration	2,582,149	-	-	-	2,582,149
Public safety	13,545,791	-	-	-	13,545,791
Public works	4,290,647	-	-	6,164	4,296,811
Health and welfare	1,356,127	4,109,207	-	-	5,465,334
Education	13,122,800	-	1,178,837	-	14,301,637
Parks, recreation, and cultural	604,300	-	-	1,641,789	2,246,089
Community development	830,372	-	-	38,256	868,628
Nondepartmental	1,563,876	-	-	-	1,563,876
Capital projects	-	-	5,618,260	-	5,618,260
Debt service:					
Principal retirement	-	-	2,269,811	-	2,269,811
Interest and other fiscal charges	-	-	2,634,538	-	2,634,538
Total expenditures	<u>41,930,843</u>	<u>4,109,207</u>	<u>11,701,446</u>	<u>1,686,209</u>	<u>59,427,705</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,895,815</u>	<u>(550,256)</u>	<u>(8,883,600)</u>	<u>(1,435,202)</u>	<u>(6,973,243)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	502,000	591,700	3,039,500	1,468,696	5,601,896
Operating transfers out	(4,951,971)	-	-	(147,925)	(5,099,896)
Payments to escrow agent	-	-	(14,285,000)	-	(14,285,000)
Proceeds from issuance of bonds	-	-	19,210,000	-	19,210,000
Total other financing sources (uses), net	<u>(4,449,971)</u>	<u>591,700</u>	<u>7,964,500</u>	<u>1,320,771</u>	<u>5,427,000</u>
Net change in fund balances	(554,156)	41,444	(919,100)	(114,431)	(1,546,243)
Fund balance - beginning	11,378,159	280,291	20,944,028	198,646	32,801,124
Fund balance - ending	<u>\$ 10,824,003</u>	<u>\$ 321,735</u>	<u>\$ 20,024,928</u>	<u>\$ 84,215</u>	<u>\$ 31,254,881</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, 2015**

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

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

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

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

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

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



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

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

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

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 68,064
Total assets	<u>\$ 68,064</u>
<b>Liabilities</b>	
Amounts held for Social Services clients	\$ 68,064
Total liabilities	<u>\$ 68,064</u>

**Note 1—Summary of Significant Accounting Policies**

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

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

Financial Statement Presentation

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

- Management’s Discussion and Analysis - GAAP requires the financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of management’s discussion and analysis (“MD&A”).
- Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

**A. Financial Reporting Entity**

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

**B. Component Units**

**Blended:**

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

**Discretely Presented:**

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

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

**C. Other Related Organizations**

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

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

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

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

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

The accompanying financial statements are prepared in GAAP as applicable to governmental units. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year when all eligibility requirements imposed by the provider have been satisfied. Fiduciary funds financial statements are reported on the accrual basis of accounting and do not measure operations.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the Commonwealth or public utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the Commonwealth or public utility, which is generally within two months preceding receipt by the City.

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

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2015**

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

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

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

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

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

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

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

**E. Cash and Cash Equivalents**

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

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

**F. Investments**

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

**G. Receivables and Payables**

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

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

**Real and Personal Property Tax Data**

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

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

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

**H. Capital Assets**

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

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

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



**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2015**

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

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

**I. Deferred Outflows and Inflows of Resources**

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

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

**J. Compensated Absences**

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

**K. Pensions**

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

**L. Use of Estimates**

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

**M. Fund Balance**

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

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

**N. Net Position**

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

**O. Long-Term Obligations**

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

**P. Inventory**

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

**Q. Restricted Assets**

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

**R. Change in Accounting Principle**

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

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 2—Deposits and Investments**

**A. Deposits**

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

**B. Investments**

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

**C. Credit Risk of Debt Securities**

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

**D. External Investment Pools**

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

**City’s Rated Debt Investment Values**

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

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

**E. Interest Rate Risk**

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

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 3—Due from Other Governments**

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

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

**Note 4—Interfund Obligations**

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

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

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

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**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 5—Capital Assets**

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

	Balance July 1, 2014 As Restated *	Increase	Decrease	Balance June 30, 2015
Government Activities:				
Capital assets not subject to depreciation:				
Land	\$ 6,622,991	\$ -	\$ -	\$ 6,622,991
Work in progress	605,697	2,191,149	-	2,796,846
Total capital assets not subject to depreciation	<u>7,228,688</u>	<u>2,191,149</u>	<u>-</u>	<u>9,419,837</u>
Capital assets subject to depreciation:				
Buildings, improvements, and infrastructure	43,863,710	1,048,654	-	44,912,364
Machinery and equipment	11,311,257	551,925	(297,847)	11,565,335
Jointly-owned assets	34,338,838	-	(461,614)	33,877,224
Total capital assets being depreciated	<u>89,513,805</u>	<u>1,600,579</u>	<u>(759,461)</u>	<u>90,354,923</u>
Less accumulated depreciation for:				
Buildings, improvements, and infrastructure	(15,198,616)	(1,385,838)	-	(16,584,454)
Machinery and equipment	(7,598,113)	(828,994)	297,847	(8,129,260)
Jointly-owned assets	(7,276,252)	(439,425)	-	(7,715,677)
Total accumulated depreciation	<u>(30,072,981)</u>	<u>(2,654,257)</u>	<u>297,847</u>	<u>(32,429,391)</u>
Total capital assets being depreciated, net	<u>59,440,824</u>	<u>(1,053,678)</u>	<u>(461,614)</u>	<u>57,925,532</u>
Capital assets, net	<u>\$ 66,669,512</u>	<u>\$ 1,137,471</u>	<u>\$ (461,614)</u>	<u>\$ 67,345,369</u>
	Balance July 1, 2014 As Restated *	Increase	Decrease	Balance June 30, 2015
<b>Component Unit - School Board</b>				
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	62,839,591	131,258	-	62,970,849
Machinery and equipment	6,709,972	860,028	(118,400)	7,451,600
Jointly-owned assets	(34,338,838)	-	461,614	(33,877,224)
Total capital assets being depreciated	<u>35,210,725</u>	<u>991,286</u>	<u>343,214</u>	<u>36,545,225</u>
Less accumulated depreciation for:				
Buildings and improvements	(14,574,253)	(780,399)	-	(15,354,652)
Machinery and equipment	(3,657,763)	(401,956)	113,900	(3,945,819)
Jointly-owned assets	7,276,252	439,425	-	7,715,677
Total accumulated depreciation	<u>(10,955,764)</u>	<u>(742,930)</u>	<u>113,900</u>	<u>(11,584,794)</u>
Total capital assets being depreciated, net	<u>24,254,961</u>	<u>248,356</u>	<u>457,114</u>	<u>24,960,431</u>
Capital assets, net	<u>\$ 24,729,590</u>	<u>\$ 248,356</u>	<u>\$ 457,114</u>	<u>\$ 25,435,060</u>

\* See Footnote 16 for further detail.

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2015**

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

Governmental Activities:

General government administration	\$ 909,866
Judicial administration	239,290
Public safety	503,071
Public works	536,143
Health and welfare	113,269
Education	201,681
Parks, recreation, and cultural	150,937
Total governmental activities	\$ 2,654,257

Component Unit: School Board	\$ 742,930
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Under Section 15 of *The Code of Virginia 1950*, as amended, local governments have a “tenancy in common” with the School Board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the City for the year ended June 30, 2015, is School-financed assets in the amount of \$26,161,547 being reported by the Primary Government for financial reporting purposes.

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

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

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2015**

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

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

<b>Beacon Theatre Fund</b>	<b>Balance July 1, 2014</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2015</b>
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	282,809	47,968	-	330,777
Total cap assets being depreciated	<u>5,944,660</u>	<u>47,968</u>	<u>-</u>	<u>5,992,628</u>
Less accumulated depreciation for:				
Buildings	(150,216)	(145,481)	-	(295,697)
Machinery and equipment	(38,033)	(40,237)	-	(78,270)
Total accumulated depreciation	<u>(188,249)</u>	<u>(185,718)</u>	<u>-</u>	<u>(373,967)</u>
Total capital assets being depreciated, net	<u>5,756,411</u>	<u>(137,750)</u>	<u>-</u>	<u>5,618,661</u>
Beacon Theatre Fund capital assets, net	<u>\$ 6,040,884</u>	<u>\$ (137,750)</u>	<u>\$ -</u>	<u>\$ 5,903,134</u>



**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 6—Interfund Transfers**

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

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

**Note 7—Long-term Obligations**

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

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

\* See Footnote 16 for further discussion.

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2015**

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

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

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

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

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**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2015**

Details of long-term indebtedness are as follows:

**General Obligations:**

**Incurred for City:**

**General Obligation Bonds:**

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

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**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2015**

**Primary Government: (Continued)**

Details of long-term indebtedness are as follows:

**Incurred for School Board:**

State Literary Fund Loans:

\$209,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of \$10,450 through 2017; interest payable annually at 2%.	\$ 31,350
\$939,000 State Literary Fund Loan issued September 26, 1997, due in annual installments of \$46,950 through 2017; interest payable annually at 2%.	140,850
\$239,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of \$11,950 through 2017; interest payable annually at 2%.	35,850
\$597,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of \$29,850 through 2017; interest payable annually at 2%.	89,550
\$7,500,000 State Literary Fund Loan issued May 15, 2001, due in annual principal installments of \$375,000 through 2021; interest payable annually at 2%.	2,250,000
Total State Literary Fund Loans	2,547,600

Virginia Public School Authority (VPSA) Subsidy and Other Bonds:

\$4,862,705 VPSA Subsidy Bonds issued 2001, due in annual installments of varying amounts through 2021; interest payable annually at varying rates 3.10% - 5.35%.	1,966,957
\$858,896 VPSA Subsidy Bonds issued in 2005, due in annual installments of varying amounts through 2025; interest payable annually at varying rates 4.60% - 5.10%.	523,731
\$2,800,000 General Obligation Qualified Zone Academy Bond issued in 2009, due in annual installments of \$186,667 through 2024; interest payable annually at 1.83%.	1,845,321
\$7,635,000 VPSA Subsidy Bonds issued 2010, due in annual installments of varying amounts through June 1, 2027; interest payable semi-annually at 0.092%.	6,870,000
\$5,000,000 general obligation payable Series 2009A, payable in various semi-annual installments through July 15, 2034; interest payable semi-annually at various coupon rates from 3.00% to 5.87%.	1,265,000
\$5,000,000 VPSA Subsidy Bonds issued 2011, due in annual installments of varying amounts through June 1, 2027; interest payable semi-annually at 4.50%.	4,666,667
\$2,700,000 General Obligation issued in 2011, due in annual installments of varying amounts through June 20, 2036; interest payable semi-annually at 2.00% - 5.00%.	2,700,000
\$3,754,925 General Obligation payable Series 2015B split with the City, due in annual installments of varying amounts through July 15, 2034; interest payable semi-annually at 2.87%.	3,754,925
Total Virginia Public Authority School Subsidy and Other Bonds	23,592,601
Total Incurred for School Board	\$ 26,140,201

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

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2015**

**Enterprise Obligations:**

Revenue Bond Obligations:

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

**Component Unit School Board:**

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

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

Amounts are payable from the School Operating Fund.

\* See Footnote 16 for further discussion.

**Note 8—Reporting Entity Transactions**

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

**Note 9—Landfill Post-Closure Costs**

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

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

**Note 10—Unearned and Unavailable Revenues**

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

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

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

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

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

**Note 11—Commitments, Contingencies, and Subsequent Event**

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Federal programs in which the City and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular, all major programs will be tested for compliance with applicable grant requirements and reported upon under separate reporting. Even if no matters of noncompliance are disclosed by audit, the Federal government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

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

**Note 12—Litigation**

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

**Note 13—Pension Plans**

**A. Plan Description**

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

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

<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<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"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>

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		<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<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>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><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>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>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"> <li>• School division employees</li> <li>• 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.</li> </ul>
<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>



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<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>  <b>Defined Benefit Component:</b>  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> <p><b>Defined Contributions Component:</b>  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>  <b>Defined Benefit Component:</b>  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><b>Defined Contributions Component:</b>  Defined contribution vesting refers to the minimum length of service a member needs to be</p>

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		<p>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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <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>  <b>Defined Benefit Component:</b>  See definition under Plan 1.</p> <p><b>Defined Contribution Component:</b>  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>

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<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:  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><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.</p>	<p><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.</p>	<p><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.</p> <p>Defined Contribution Component:  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><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.</p>	<p><u>Earliest Reduced Retirement Eligibility</u>  Age 60 with at least five years (60 months) of creditable service.</p>	<p><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.</p> <p>Defined Contribution Component:  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

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<u>Cost-of-Living Adjustment (COLA) in Retirement</u>	<u>Cost-of-Living Adjustment (COLA) in Retirement</u>	<u>Cost-of-Living Adjustment (COLA) in Retirement</u>
<p>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%.</p> <p><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.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>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%.</p> <p><u>Eligibility:</u>            Same as Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u>            Same as Plan 1</p>	<p>Defined Benefit Component:            Same as Plan 2.</p> <p>Defined Contribution Component:            Not applicable.</p> <p><u>Eligibility:</u>            Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u>            Same as Plan 1 and Plan 2.</p>

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<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 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><u>Purchase of Prior Service</u>  Same as Plan 1.</p>	<p><u>Purchase of Prior Service</u>  <u>Defined Benefit Component:</u>  Same as VRS Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the highest of 4% of creditable compensation or average final compensation.</li> <li>• 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.</li> </ul> <p>Defined Contribution Component: Not applicable.</p>

**B. Employees Covered by Benefit Terms**

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

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

**C. Contributions**

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

***VRS Retirement Plan***

The City's contractually required contribution rate for the year ended June 30, 2015 was 15.45% of covered employee compensation. The School Board's non-professional plan contractually required contribution rate for the year ended June 30, 2015 was 11.95% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the City's plan and the School Board's non-professional plan were 15.45% and 11.95%, respectively.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$2,023,774 and \$1,649,427 for the years ended June 30, 2015 and June 30, 2014, respectively, and contribution to the pension plan from the School Board's non-professional plan were \$213,125 and \$159,179 for the years ended June 30, 2015 and June 30, 2014, respectively.

***VRS Teacher Retirement Plan***

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

**D. Net Pension Liability**

***VRS Retirement Plan***

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

***VRS Teacher Retirement Plan***

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

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**E. Actuarial Assumptions – General Employees**

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

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

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

**General City Employees:**

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

**Public Safety Employees:**

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

**Teacher Plan Employees:**

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



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

**F. Long-Term Expected Rate of Return**

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

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)%	(0.02)%
<b>Total</b>	<b>100.00%</b>		<b>5.83%</b>
Inflation			2.50%
** Expected arithmetic nominal return			<b>8.33%</b>

\*\* 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

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

**H. Changes in Net Pension Liability**

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

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

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

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

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

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

***VRS Retirement Plan***

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

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

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

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

	<b>City</b>	<b>School Board - Nonprofessional</b>
<u>Year Ended June 30,</u>		
2016	\$ 1,310,000	\$ 102,831
2017	1,310,000	102,831
2018	1,310,000	102,831
2019	1,310,000	102,833
<b>Total</b>	<b>\$ 5,240,000</b>	<b>\$ 411,326</b>

***VRS Teacher Retirement Plan***

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

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

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

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

**K. Pension Plan Fiduciary Net Position**

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

**Note 14—Surety Bonds**

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

Tamara J. Ward, Clerk of the Circuit Court	\$ 1,075,000
Teresa L. Batton, Treasurer	\$ 500,000
Debra A. Reason, Commissioner of the Revenue	\$ 3,000
Luther H. Sodat, Sheriff	\$ 30,000

The above constitutional officers and subordinate employees - blanket bond \$ 50,000

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

**Note 15—Postemployment Benefits Other Than Pensions**

Plan Description

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

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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	2015 City contribution for a single active employee; will be adjusted in future years										
C	Varies	N/A	Percentage of City contribution for a single active employee, based on years of services. See following table.										
			<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>Years of Service</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><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%												
21	80%												
D	Varies	N/A	Percentage of City contribution for a single active employee based on years of services. See table below:										
			<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>Years of Service</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><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												

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.

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

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

**Annual OPEB Cost and Net OPEB Obligation**

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

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

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

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

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

Funded Status and Funding Progress

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

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

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

Methods and Assumptions

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

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

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

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

Additionally, the following simplifying assumptions were made:

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

#### **Note 16—Accounting Changes and Restatements**

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



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

- A. Subsequent to the City's conversion of general ledger systems in September 2014, assets were identified that had been excluded from prior fiscal years' reported capital assets resulting in the restatement of the City's governmental activities' net position of \$766,477. Additionally, it was determined that the City's prior calculations of jointly-owned assets with the School Board had incorrectly not taken into account all related outstanding debt resulting in the City's governmental activities recording an additional \$4,567,500 (A-1) of net capital assets and net position with an equal reduction in the School Board's corresponding allocation. Additionally, the School Board identified that certain buildings were over depreciated in prior years and reduced accumulated depreciation, and increased net position, at June 30, 2014 by \$389,677 (A-2). The impact on the change in net position for the fiscal year ended June 30, 2014 was an increase of \$352,499.
- B. City Finance personnel determined that balances reported as prepaid bond principal at June 30, 2014 in the HRWTF and Sewer Service Funds, \$491,414 and \$478,964, respectively, were not City assets. However, the City noted unreported investments balances of \$586,001 and \$918,906, respectively, resulting in net increases of net position for HRWTF of \$94,587 and Sewer of \$439,942 at June 30, 2014, consistent with the impact on the change in net position for the fiscal year ended June 30, 2014.
- C. City Finance personnel determined that HRWTF and Sewer Service Funds' accrued bond interest at June 30, 2014 was understated by \$83,153 and \$526,529, respectively, resulting in a reduction of net position for the funds at June 30, 2014, with the impact on the change in net position for the fiscal year ended June 30, 2014 being a decrease of \$8,147 and an increase of \$3,672, respectively. In addition, Sewer Fund debt principal outstanding was overstated by \$86,585, resulting in a corresponding increase in net position at June 30, 2014, consistent with the impact on the change in net position for the fiscal year ended June 30, 2014.
- D. City Finance personnel determined that the governmental activities' deferred inflows related to prior year refundings of debt were incorrectly calculated and presented in the 2014 CAFR. Accordingly, a deferred outflow of resources as of June 30, 2014 has been recorded in the amount of \$348,199 to adjust the previously reported deferred inflow of resources of \$121,999 for a total adjustment to net position of \$470,198. Additionally, premiums related to governmental activities' general obligation bonds were overstated at June 30, 2014 by \$72,196 resulting in an increase in net position at June 30, 2014 with an impact on the change in net position for the fiscal year ended June 30, 2014 of an increase of \$13,617.
- E. City Finance personnel determined that HRWTF Fund's refund credits issued to customers, but not yet exercised, at June 30, 2014 had not been accurately tracked such that the amount of the related liability at June 30, 2014 was overstated by \$1,993,428, resulting in an increase in net position at June 30, 2014 by \$1,993,428, with no impact on the change in net position for the fiscal year ended June 30, 2014.
- F. The Sewer Service Fund's accounts receivable at June 30, 2014 included activity actually related to the HRWTF Fund. Accordingly, \$107,519 of HRWTF Fund receivables and revenues, related to fiscal year 2014 and earlier, were reclassified from the Sewer Service Fund to the HRWTF Fund and net position was decreased and increased, respectively, as of June 30, 2014, consistent with the \$81,733 impact on the change in net position for the fiscal year ended June 30, 2014 for each fund.

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

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

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

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

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**CITY OF HOPEWELL, VIRGINIA**  
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	<u>Reference</u>	<u>June 30, 2014 Balance As Previously Reported</u>	<u>Adjustment</u>	<u>June 30, 2014 Balance As Restated</u>
<b>City Governmental Activities:</b>				
Capital assets not subject to depreciation:				
Land		\$ 6,622,991	\$ -	\$ 6,622,991
Work in progress	A	<u>-</u>	<u>605,697</u>	<u>605,697</u>
Total capital assets not subject to depreciation		<u>6,622,991</u>	<u>605,697</u>	<u>7,228,688</u>
Capital assets subject to depreciation:				
Buildings, improvements, and infrastructure	A	44,312,940	(449,230)	43,863,710
Machinery and equipment	A	10,209,823	1,101,434	11,311,257
Jointly-owned assets	A-1	<u>29,696,617</u>	<u>4,642,221</u>	<u>34,338,838</u>
Total capital assets being depreciated		<u>84,219,380</u>	<u>5,294,425</u>	<u>89,513,805</u>
Less accumulated depreciation for:				
Buildings, improvements, and infrastructure	A	(15,730,880)	532,264	(15,198,616)
Machinery and equipment	A	(6,574,425)	(1,023,688)	(7,598,113)
Jointly-owned assets	A-1	<u>(7,201,531)</u>	<u>(74,721)</u>	<u>(7,276,252)</u>
Total accumulated depreciation		<u>(29,506,836)</u>	<u>(566,145)</u>	<u>(30,072,981)</u>
Total capital assets being depreciated, net		<u>54,712,544</u>	<u>4,728,280</u>	<u>59,440,824</u>
Capital assets, net		<u>\$ 61,335,535</u>	<u>\$ 5,333,977</u>	<u>\$ 66,669,512</u>
<b>School Board Governmental Activities:</b>				
Jointly-owned assets	A-1	<u>\$ (29,696,617)</u>	<u>\$ (4,642,221)</u>	<u>\$ (34,338,838)</u>
Accumulated depreciation:				
Buildings, improvements, and infrastructure	A-2	<u>\$ (14,963,930)</u>	<u>\$ 389,677</u>	<u>\$ (14,574,253)</u>
Jointly-owned assets	A-1	<u>\$ 7,201,531</u>	<u>\$ 74,721</u>	<u>\$ 7,276,252</u>
	<u>Reference</u>	<u>June 30, 2014 Balance As Previously Reported</u>	<u>Adjustment</u>	<u>June 30, 2014 Balance As Restated</u>
City total long-term obligations		<u>\$ 67,198,574</u>	\$ 18,639,851	<u>\$ 85,838,425</u>
	GAAP		18,712,047	
	D		(72,196)	

**Note 17—Subsequent Event**

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 28,194,700	\$ 28,194,700	\$ 29,022,830	\$ 828,130
Other local taxes	5,867,000	5,869,100	6,056,010	186,910
Permits, privilege fees, and regulatory licenses	86,500	146,500	230,893	84,393
Fines and forfeitures	1,701,800	1,701,800	1,545,064	(156,736)
Revenues from use of money and property	60,500	60,500	59,374	(1,126)
Charges for services	600,300	538,200	600,938	62,738
Miscellaneous	1,261,100	1,279,171	1,153,890	(125,281)
Recovered costs	382,500	382,500	382,500	-
Intergovernmental revenues:				
Commonwealth	6,316,500	6,316,500	6,655,860	339,360
Federal	318,600	339,122	119,299	(219,823)
Total revenues	<u>44,789,500</u>	<u>44,828,093</u>	<u>45,826,658</u>	<u>998,565</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	3,153,000	4,023,222	4,034,781	(11,559)
Judicial administration	1,041,000	2,595,281	2,582,149	13,132
Public safety	12,693,000	14,088,410	13,545,791	542,619
Public works	3,916,000	4,218,292	4,290,647	(72,355)
Health and welfare	1,144,700	1,915,861	1,356,127	559,734
Education	13,100,000	13,100,000	13,122,800	(22,800)
Parks, recreation, and cultural	551,300	604,300	604,300	-
Community development	725,000	766,500	830,372	(63,872)
Nondepartmental	5,245,000	970,267	1,563,876	(593,609)
Total expenditures	<u>41,569,000</u>	<u>42,282,133</u>	<u>41,930,843</u>	<u>351,290</u>
Excess of revenues over expenditures	3,220,500	2,545,960	3,895,815	1,349,855
<b>OTHER FINANCING USES</b>				
Operating transfers in	502,000	502,000	502,000	-
Operating transfers out	(4,813,000)	(6,057,311)	(4,951,971)	1,105,340
Total other financing uses	<u>(4,311,000)</u>	<u>(5,555,311)</u>	<u>(4,449,971)</u>	<u>1,105,340</u>
Net change in fund balances	(1,090,500)	(3,009,351)	(554,156)	2,455,195
Fund balances - beginning	15,107,304	14,946,028	11,378,159	(3,567,869)
Fund balances - ending	<u>\$ 14,016,804</u>	<u>\$ 11,936,677</u>	<u>\$ 10,824,003</u>	<u>\$ (1,112,674)</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, 2015**

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

## Exhibit 13

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

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

**Employer Contributions**

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

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



## Exhibit 14

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

<b>Total Pension Liability</b>	
Service cost	\$ 185,137
Interest	524,469
Benefit payments, including refunds of employee contributions	(525,083)
Net change in total pension liability	<u>184,523</u>
Plan total pension liability - beginning	7,754,961
Plan total pension liability - ending	<u><u>\$ 7,939,484</u></u>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 159,179
Contributions - employee	88,108
Net investment income	924,453
Benefit payments, including refunds of employee contributions	(525,083)
Administrative expense	(5,167)
Other	48
Net change in plan fiduciary net position	<u>641,538</u>
Plan fiduciary net position - beginning	6,002,835
Plan fiduciary net position - ending	<u><u>\$ 6,644,373</u></u>
 Total net pension liability - ending	 <u><u>\$ 1,295,111</u></u>
 Plan fiduciary net position as a percentage of total pension liability	 83.69%
 Covered employee payroll	 1,761,986
 Net pension liability as a percentage of covered employee payroll	 73.50%
 <b>Employer Contributions</b>	
Contractually required contribution	\$ 213,125
Contributions in relation to contractually required contribution	<u>213,125</u>
Contribution excess	<u><u>\$ -</u></u>
 Covered employee payroll	 \$ 1,761,986
Contributions as a percentage of covered employee payroll	12.10%

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

## Exhibit 15

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

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

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

**Employer Contributions**

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

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

## Exhibit 16

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) AAL (UAAL) (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll (6)	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%

## **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, 2015**

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



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

	Recreation Fund	Community Development Block Grant Fund	Anti-Litter Fund	Total
<b>Assets</b>				
Cash and investments	\$ 203,915	\$ -	\$ 14,937	\$ 218,852
Receivables, net of allowance for uncollectibles	1,715	-	-	1,715
Total assets	<u>205,630</u>	<u>-</u>	<u>14,937</u>	<u>220,567</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	23,543	38	-	23,581
Accrued liabilities	27,530	-	-	27,530
Due to other funds	-	85,241	-	85,241
Total liabilities	<u>51,073</u>	<u>85,279</u>	<u>-</u>	<u>136,352</u>
Fund balances:				
Assigned	<u>154,557</u>	<u>(85,279)</u>	<u>14,937</u>	<u>84,215</u>
Total fund balances	<u>154,557</u>	<u>(85,279)</u>	<u>14,937</u>	<u>84,215</u>
Total liabilities and fund balances	<u>\$ 205,630</u>	<u>\$ -</u>	<u>\$ 14,937</u>	<u>\$ 220,567</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, 2015**

	Recreation Fund	Community Development Block Grant Fund	Anti-Litter Fund	Total
<b>REVENUES</b>				
Revenues from use of money and property	\$ 15,738	\$ -	\$ 3	\$ 15,741
Charges for services	145,507	-	-	145,507
Miscellaneous	38,986	-	-	38,986
Intergovernmental revenues:				
Commonwealth	22,246	-	4,105	26,351
Federal	5,306	19,116	-	24,422
Total revenues	<u>227,783</u>	<u>19,116</u>	<u>4,108</u>	<u>251,007</u>
<b>EXPENDITURES</b>				
Current:				
Public works	-	-	6,164	6,164
Parks, recreation, and cultural	1,641,789	-	-	1,641,789
Community development	-	38,256	-	38,256
Total expenditures	<u>1,641,789</u>	<u>38,256</u>	<u>6,164</u>	<u>1,686,209</u>
Deficiency of revenues under expenditures	<u>(1,414,006)</u>	<u>(19,140)</u>	<u>(2,056)</u>	<u>(1,435,202)</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	1,468,696	-	-	1,468,696
Operating transfers out	(147,925)	-	-	(147,925)
Total other financing sources, net	<u>1,320,771</u>	<u>-</u>	<u>-</u>	<u>1,320,771</u>
Net change in fund balances	(93,235)	(19,140)	(2,056)	(114,431)
Fund balance - beginning	247,792	(66,139)	16,993	198,646
Fund balance - ending	<u>\$ 154,557</u>	<u>\$ (85,279)</u>	<u>\$ 14,937</u>	<u>\$ 84,215</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, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Revenues from use of money and property	\$ 26,500	\$ 15,738	\$ (10,762)
Charges for services	201,300	145,507	(55,793)
Miscellaneous	95,400	38,986	(56,414)
Intergovernmental revenues:			
Commonwealth	21,000	22,246	1,246
Federal	5,000	5,306	306
Total revenues	<u>349,200</u>	<u>227,783</u>	<u>(121,417)</u>
<b>EXPENDITURES</b>			
Current -			
Parks, recreation, and cultural	1,714,824	1,641,789	73,035
Total expenditures	<u>1,714,824</u>	<u>1,641,789</u>	<u>73,035</u>
Deficiency of revenues under expenditures	<u>(1,365,624)</u>	<u>(1,414,006)</u>	<u>(48,382)</u>
<b>OTHER FINANCING SOURCES</b>			
Operating transfers in	1,296,700	1,468,696	171,996
Operating transfers out	-	(147,925)	(147,925)
Total other financing sources, net	<u>1,296,700</u>	<u>1,320,771</u>	<u>24,071</u>
Net change in fund balances	(68,924)	(93,235)	(24,311)
Fund balances - beginning	37,738	247,792	210,054
Fund balances - ending	<u>\$ (31,186)</u>	<u>\$ 154,557</u>	<u>\$ 185,743</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, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Intergovernmental revenues-			
Federal	\$ 533,000	\$ 19,116	\$ (513,884)
Total revenues	<u>533,000</u>	<u>19,116</u>	<u>(513,884)</u>
<b>EXPENDITURES</b>			
Current -			
Community development	533,000	38,256	494,744
Total expenditures	<u>533,000</u>	<u>38,256</u>	<u>494,744</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>(19,140)</u>	<u>(19,140)</u>
Fund balances - beginning	-	(66,139)	(66,139)
Fund balances - ending	<u>\$ -</u>	<u>\$ (85,279)</u>	<u>\$ (85,279)</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, 2015**

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

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

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

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

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

Total fund balances per above \$ 3,484,846

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

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

Capital assets	\$ 37,019,854	
Less: accumulated depreciation	<u>(11,584,794)</u>	25,435,060

Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$ (649,862)	
Net pension liability	(39,221,111)	
Deferred outflow - pension	3,575,278	
Deferred inflow - pension	(6,810,326)	
OPEB obligations	(1,221,055)	
Note payable to the Primary Government	<u>(1,605,705)</u>	(45,932,781)

Net position of governmental activities \$ (17,012,875)

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

	<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>
<b>REVENUES</b>					
Revenues from use of money and property	\$ 319	\$ 135	\$ 161	\$ 84	\$ 699
Charges for services	86,995	356,318	-	-	443,313
Miscellaneous	9,052	-	120	-	9,172
Intergovernmental revenues:					
Local government	15,394,448	-	-	-	15,394,448
Commonwealth	26,650,599	42,754	296,209	-	26,989,562
Federal	3,550,630	1,976,167	-	-	5,526,797
Total revenues	<u>45,692,043</u>	<u>2,375,374</u>	<u>296,490</u>	<u>84</u>	<u>48,363,991</u>
<b>EXPENDITURES</b>					
Current:					
Administration	1,414,428	-	-	-	1,414,428
Instruction	34,226,303	-	401,353	-	34,627,656
Operating	8,996,049	2,246,014	-	-	11,242,063
Capital projects	-	63,282	-	349,039	412,321
Total expenditures	<u>44,636,780</u>	<u>2,309,296</u>	<u>401,353</u>	<u>349,039</u>	<u>47,696,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,055,263</u>	<u>66,078</u>	<u>(104,863)</u>	<u>(348,955)</u>	<u>667,523</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	420,180	-	-	1,475,443	1,895,623
Transfers out	<u>(1,475,443)</u>	<u>-</u>	<u>-</u>	<u>(420,180)</u>	<u>(1,895,623)</u>
Total other financing sources and (uses), net	<u>(1,055,263)</u>	<u>-</u>	<u>-</u>	<u>1,055,263</u>	<u>-</u>
Net change in fund balances	-	66,078	(104,863)	706,308	667,523
Fund balances - beginning	-	950,428	900,891	966,004	2,817,323
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,016,506</u>	<u>\$ 796,028</u>	<u>\$ 1,672,312</u>	<u>\$ 3,484,846</u>
Net change in fund balances - total governmental funds - per above					\$ 667,523
Amount reported for governmental activities in the Statement of Activities are different because:					
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.					
Capital outlay, net of disposals				\$ 986,586	
Net change in City interest in School assets				461,614	
Depreciation expense				<u>(742,730)</u>	705,470
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.					
Decrease in claims and compensated absences				\$ 18,701	
Increase in OPEB liability				(116,917)	
Decrease in pension activity				782,176	
Decrease in note payable to the Primary Government				<u>105,418</u>	789,378
Change in net position of governmental activities					<u>\$ 2,162,371</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, 2015**

	<b>School Operating Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenues from use of money and property	\$ 2,000	\$ 2,000	\$ 319	\$ (1,681)
Charges for services	379,039	379,039	86,995	(292,044)
Miscellaneous	28,550	33,550	9,052	(24,498)
Intergovernmental revenues:				
Local government	15,440,468	15,440,468	15,394,448	(46,020)
Commonwealth	26,446,453	26,912,350	26,650,599	(261,751)
Federal	4,827,591	4,356,694	3,550,630	(806,064)
Total revenues	<u>47,124,101</u>	<u>47,124,101</u>	<u>45,692,043</u>	<u>(1,432,058)</u>
<b>EXPENDITURES</b>				
Current:				
Education	44,302,107	44,302,107	41,814,787	2,487,320
Debt service	2,821,994	2,821,994	2,821,993	1
Total expenditures	<u>47,124,101</u>	<u>47,124,101</u>	<u>44,636,780</u>	<u>2,487,321</u>
Excess of revenues over expenditures	-	-	1,055,263	1,055,263
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	420,180	420,180	420,180	-
Transfers out	(420,180)	(420,180)	(1,475,443)	(1,055,263)
Total other financing uses, net	<u>-</u>	<u>-</u>	<u>(1,055,263)</u>	<u>(1,055,263)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
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, 2015**

	<b>School Cafeteria Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenues from use of money and property	\$ 600	\$ 600	\$ 135	\$ (465)
Charges for services	521,850	521,850	356,318	(165,532)
Intergovernmental revenues:				
Commonwealth	47,761	47,761	42,754	(5,007)
Federal	1,513,170	1,513,170	1,976,167	462,997
Total revenues	<u>2,083,381</u>	<u>2,083,381</u>	<u>2,375,374</u>	<u>291,993</u>
<b>EXPENDITURES</b>				
Current:				
Education	2,239,851	2,506,851	2,020,141	486,710
Operations and maintenance	746,707	458,707	225,873	232,834
Capital projects	96,823	117,823	63,282	54,541
Total expenditures	<u>3,083,381</u>	<u>3,083,381</u>	<u>2,309,296</u>	<u>774,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>66,078</u>	<u>1,066,078</u>
Net change in fund balance	(1,000,000)	(1,000,000)	66,078	1,066,078
Fund balance - beginning	1,000,000	1,000,000	950,428	(49,572)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,016,506</u>	<u>\$ 1,016,506</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, 2015

	School Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenues from use of money and property	\$ 2,000	\$ 2,000	\$ 161	\$ (1,839)
Miscellaneous	-	-	120	120
Intergovernmental revenues - Commonwealth	292,729	292,729	296,209	3,480
Total revenues	<u>294,729</u>	<u>294,729</u>	<u>296,490</u>	<u>1,761</u>
<b>EXPENDITURES</b>				
Current:				
Education	650,000	650,000	401,353	248,647
Total expenditures	<u>650,000</u>	<u>650,000</u>	<u>401,353</u>	<u>248,647</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(355,271)</u>	<u>(355,271)</u>	<u>(104,863)</u>	<u>250,408</u>
Net change in fund balance	(355,271)	(355,271)	(104,863)	250,408
Fund balance - beginning	552,000	552,000	900,891	348,891
Fund balance - ending	<u>\$ 196,729</u>	<u>\$ 196,729</u>	<u>\$ 796,028</u>	<u>\$ 599,299</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, 2015

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

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

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**ASSETS**

Cash	\$ 251,607
Due from other governmental units	1,760,284
Total assets	<u>\$ 2,011,891</u>

**LIABILITIES AND FUND BALANCES**

## Liabilities:

Accounts payable	\$ 619,355
Accrued liabilities	3,841
Due to Primary Government	1,388,695
Total liabilities	<u>2,011,891</u>

## Fund balances:

Unassigned	-
Total fund balance	<u>-</u>
Total liabilities and fund balances	<u>\$ 2,011,891</u>

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

**REVENUES**

Miscellaneous	\$ 9,173
Intergovernmental revenues:	
Local government	1,035,707
Commonwealth	3,477,801
Total revenues	<u>4,522,681</u>

**EXPENDITURES**

Current:	
Health and welfare	<u>4,522,681</u>
Total expenditures	<u>4,522,681</u>

Excess of revenues over expenditures	<u>-</u>
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Net change in fund balance	-
Fund balance - beginning	<u>-</u>
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, 2015**

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

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

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



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

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

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

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

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

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

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

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

	<b><u>Table</u></b>
<b>Financial trends information</b> Financial trends information is intended to help the reader understand and assess how the City's financial position has changed over time.	<b>1 to 4</b>
<b>Revenue capacity information</b> Revenue capacity information is intended to help the reader understand and assess the City's ability to generate its most significant local revenue source, the property tax.	<b>5 to 8</b>
<b>Debt capacity information</b> 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.	<b>9 to 11</b>
<b>Demographic and economic information</b> Demographic and economic information is intended to help the reader understand the socioeconomic environment within which the City's financial activities take place.	<b>12 to 14</b>
<b>Operating information</b> 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.	<b>15 to 16</b>



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Table 1

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

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

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

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

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

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

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

	<u>2006</u>	<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>
General Fund:										
Reserved	\$ 1,486,858	\$ 2,145,977	\$ 1,305,385	\$ 1,085,023	\$ 1,146,496					
Unreserved	10,815,318	10,681,284	10,508,586	9,484,371	10,168,180					
Total General Fund	<u>\$ 12,302,176</u>	<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	\$ 15,440,761	\$ 3,553,176	\$ 1,116,638	\$ 55,109	\$ 35,436					
Unreserved, reported in:										
Special Revenue Funds	405,094	221,901	228,810	157,004	346,795					
Capital Projects Funds	12,850,203	15,342,304	12,321,255	20,995,610	22,131,546					
Total all other Governmental funds	<u>\$ 28,696,058</u>	<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
Assigned						7,433,145	7,185,036	7,185,036	7,577,377	8,129,327
Unassigned						4,355,131	4,084,446	6,110,082	3,294,763	2,231,581
Total General Fund						<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>
All other Governmental funds:										
Nonspendable						\$ -	\$ -	\$ -	\$ -	\$ 6,199,005
Restricted						10,098,751	5,789,508	5,789,508	5,789,508	8,941,242
Assigned						14,338,352	8,694,433	7,758,080	15,633,457	5,290,631
Unassigned						(248)	(247)	-	-	-
Total all other Governmental funds						<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>

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

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

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

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

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

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

(1) Real Estate assessed value includes both residential and 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	
2006	\$ 1.20	\$ 3.05	\$ 3.05	\$ 1.20	\$ 3.05	\$ 1.51
2007	1.09	3.05	3.05	1.09	3.05	1.38
2008	1.09	3.05	3.05	1.09	3.05	1.37
2009	0.96	3.05	3.05	0.96	3.05	1.23
2010	0.99	3.50	3.05	0.99	3.50	1.27
2011	0.99	3.50	3.05	0.99	3.50	1.33
2012	1.02	3.50	3.05	1.02	3.50	1.20
2013	1.08	3.50	3.05	1.08	3.50	1.20
2014	1.11	3.50	3.05	1.08	3.50	1.20
2015	1.13	3.50	3.05	1.02	3.50	1.20

(1) Per \$100 of assessed value.

(2) Personal property taxes are applied to the National Automobile Dealers Association (NADA) loan value.

(3) Weighted average for tax levy.

The City of Hopewell has no overlapping taxes.



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

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

(1) In 2005, Rock Tenn was Stone Container.

(2) In 2005, Evoniks Industries was Goldschmidt Chemical Corp.

(3) In 2005, Ashland, Inc. was Aqualon Company.

Sources: (a) Debra K. Reason, Commissioner of Revenue - 8/24/17

(b) Patrizia Waggoner, Real Estate Assessor - 8/24/17

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

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

Source: Municipal Tax Assessor

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

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

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

**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>
2015	\$ 63,229,416	\$ -	\$ 63,229,416	4.79%	2,799
2014	60,725,169	-	60,725,169	4.66%	2,688
2013	55,340,021	-	55,340,021	4.24%	2,450
2012	57,869,221	-	57,869,221	4.35%	2,562
2011	59,577,629	-	59,577,629	4.38%	2,637
2010	45,982,550	4,500,000	41,482,550	2.09%	1,856
2009	45,453,940	4,500,000	40,953,940	2.10%	1,832
2008	37,901,111	4,500,000	33,401,111	1.96%	1,494
2007	42,463,937	4,500,000	37,963,937	2.22%	1,698
2006	44,973,595	4,500,000	40,473,595	2.36%	1,811

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

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

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

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 92,919,480	\$ 112,210,800	\$ 114,528,366	\$ 133,839,710	\$ 135,714,300	\$ 135,931,270	\$ 133,076,838	\$ 130,445,020	\$ 133,262,850	\$ 130,418,300
Total net debt applicable to limit	<u>44,973,595</u>	<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>55,112,856</u>	<u>60,516,432</u>	<u>63,150,276</u>
Legal debt margin	<u>\$ 47,945,885</u>	<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>\$ 75,474,555</u>	<u>\$ 75,332,164</u>	<u>\$ 72,746,418</u>	<u>\$ 67,268,024</u>
Total net debt applicable to the limit as a percentage of debt limit	48.40%	37.84%	33.09%	33.96%	33.88%	43.83%	43.49%	42.25%	45.41%	48.42%

Source: Valuation bases were obtained from the Hopewell Real Estate Assessor's office.

(a) Limit set by Virginia Statute.

Legal Debt Margin calculation for Fiscal Year 2015

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

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

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<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>
2015	22,591	\$ 778,341,324	\$ 34,454	7.60%
2014	22,591	778,341,324	34,454	7.90%
2013	22,591	778,341,324	34,454	8.80%
2012	22,591	778,341,324	34,454	9.10%
2011	22,591	778,341,324	34,454	11.40%
2010	22,354	762,550,318	34,112	10.90%
2009	22,354	755,000,314	33,775	11.40%
2008	22,354	733,010,014	32,791	6.30%
2007	22,354	670,307,044	29,986	4.50%
2006	22,354	643,303,412	28,778	5.10%

Source:

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

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

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

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

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

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

Source: Virginia's Gateway Region.

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

N/A - Information not currently available.

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

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

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**

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

Source: Individual city department workload counts.

\* Average total case count.

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

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

Source: City Fixed Asset System by City departments

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## COMPLIANCE SECTION

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

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

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

### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2015-001 through 2015-003, which we consider to be material weaknesses.

### **Compliance and Other Matters**

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

**Management's Responses to Findings**

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

**Purpose of this Report**

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



Richmond, Virginia  
August 31, 2017

## Schedule of Findings and Responses

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

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

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

- City management could not accurately determine the total amount of the business-type activities, the Hopewell Regional Wastewater Treatment Facilities Fund (“HRWTF”) and the Sewer Service Fund changes in net position for the year ended June 30, 2015. GAAP requires net position at the end of a fiscal year to equal the years beginning net position plus the changes in net position occurring during the year. For the three opinion units noted, the City recorded unsupported adjustments to the yearly activity to enable net position at June 30, 2015 per the Statement of Net Position to equal net position per the Statement of Activities and the Statement of Revenues, Expenses, and Changes in Net Position. Although amounts needed to roll net position forward were made (HRWTF - \$320,000; Sewer Service Fund - \$580,000), the source and cause of the adjustment could not be suitably substantiated by City Finance management to a degree of accuracy and completeness to allow for related audit testing to support an opinion on their fair presentation in accordance with GAAP and, accordingly, a qualified audit opinion due to a scope limitation was rendered.
- During fiscal year 2015, multiple instances were identified where activities in the previous fiscal years were inaccurately recorded within the general ledger and issued financial statements as follows:
  - Subsequent to the City’s conversion of general ledger systems in September 2014, assets were identified that had been excluded from prior fiscal years’ reported capital assets resulting in the restatement of the City’s governmental activities’ net position of \$766,500. Also, School Board Finance Department management identified that certain buildings were over depreciated in prior years and reduced accumulated depreciation, and increased net position, at June 30, 2014 by \$390,000. Additionally, it was determined that the City’s prior calculations of jointly-owned assets with the School Board had incorrectly not taken into account all related outstanding debt resulting in the City’s governmental activities recording additional \$4,567,500 of net capital assets and net position with an equal reduction in the School Board’s corresponding allocation.
  - City Finance personnel determined that balances reported as prepaid bond principle at June 30, 2014 in the HRWTF and Sewer Service Funds, \$491,000 and \$479,000, respectively, were not City assets. However, the City noted unreported investments balances of \$586,000 and \$918,000, respectively, resulting in net increases in net position for HRWTF Fund (\$95,000) and Sewer Service Fund (\$440,000) at June 30, 2014.



- City Finance personnel determined that the HRWTF and Sewer Service Funds' accrued bond interest at June 30, 2014 was understated by \$83,000 and \$526,000, respectively, resulting in a reduction of net position for the funds at June 30, 2014. In addition, Sewer Service Fund debt principal outstanding was overstated by \$87,000, resulting in a corresponding increase in Net Position at June 30, 2014.
- City Finance personnel determined that the Governmental Activities' deferred inflows related to prior year refundings of debt were incorrectly calculated and presented in the 2014 CAFR. Accordingly, a deferred outflow of resources as of June 30, 2014 has been recorded in the amount of \$348,000 to adjust the previously reported deferred inflow of resources of \$122,000 for a total adjustment to net position of \$470,000. Additionally, premiums related to Governmental Activities' general obligation bonds were overstated at June 30, 2014 by \$72,000 resulting in an increase in net position at June 30, 2014.
- City Finance personnel determined that HRWTF Fund's refund credits issued to customers, but not yet exercised, at June 30, 2014 had not been accurately tracked such that the amount of the related liability at June 30, 2014 was overstated by \$1,993,000, resulting in an increase in net position at June 30, 2014 by \$1,993,000.
- The Sewer Service Fund's accounts receivable at June 30, 2014 included activity actually related to the HRWTF Fund. Accordingly, \$108,000 of HRWTF Fund receivables and revenues, related to fiscal year 2014 and earlier, were reclassified from the Sewer Service Fund to the HRWTF Fund and net position was decreased and increased, respectively, as of June 30, 2014.
- City Finance personnel determined that the Beacon Theatre Fund's accrued liabilities at June 30, 2014 were overstated by \$455,000, resulting in an increase in net position for the fund at June 30, 2014.
- Recording of the governmental activities' compensated absences as a fund liability in the governmental funds even though GAAP requires only the portion to be paid with current resources to be recorded as a fund liability. As the entire balance was considered to be a long-term obligation, \$900,000 of expenditures and payables were adjusted out of the General Fund and \$73,000 was adjusted out of the remaining governmental funds.
- Recording of operational funding from the Sewer Service Fund to the Storm Water Fund as a loan between the two funds when there was no requirement for repayment from the Storm Water Fund, which is inconsistent with GAAP (\$1M).

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

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

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

**Views of Responsible Officials:**

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

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

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

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

- As of June 30, 2015, the City was unable to reconcile the City's cash balances with financial institutions to the balance per the general ledger, to ensure accuracy and completeness, until September 2016 (\$26.8M).
- As of June 30, 2015, funding receipts from the Commonwealth of Virginia to the City had not been reconciled to the general ledger, to verify accuracy and completeness of the transactions, until March of 2016 (>\$10M).
- For the year ended June 30, 2015, the unadjusted trial balance provided for testing noted \$20.2M of HRWTF Fund capital asset additions recorded as expense and not as capitalized assets.

- When requested for audit testing, City personnel did not have available a reconciliation that verified the investment balances with financial institutions had been analyzed and reconciled to the general ledger (\$40M).
- As a result of audit testing, it was determined that General Fund property tax related receivables and deferred revenues were inaccurately allocated between real property, personal property and machinery and tools and City Finance recorded adjustments accordingly (>\$1M)
- During the conversion of general ledger systems, City Finance personnel identified that balances from GEMS were not brought over to MUNIS completely and accurately, such that adjustments to fiscal year 2015 beginning balances were needed for several funds - General Fund (\$63,000 understated); HRWTF Fund (\$7,000 overstated); Sewer Service Fund (\$89,000 overstated).
- As a result of audit testing, it was determined that expenditures/expenses and accounts payables in the HRWTF Fund, the Sewer Service Fund, and the Recreation Fund were incorrectly recorded in the year-end general ledger by \$133,000 (under accrued), \$81,000 (over accrued), and \$8,000 (under accrued), respectively.
- As a result of audit testing, it was determined that accounts receivable and bad debt expenses in the Sewer Service Fund were under recorded in the year-end general ledger by \$916,000 and \$333,000, respectively.
- Recordation of debt and related issuance activities:
  - When general obligation debt was issued, City Finance recorded the liability (credit entry) properly in the general ledger; however, the proceeds of the issuance were recorded as a direct reduction to net position (debit entry) and not to appropriate investment accounts. Consequently, bond proceed investment asset balances at US Bank were never recorded in the General Ledger (HRWTF - \$5.5M);
  - Recording general obligation debt issuance costs as an asset and not expense in the General Fund (\$45,000), and
  - Calculation of Governmental Activities' deferred gains on debt issuance and the amortization of premiums were not recorded until evidence of the amounts was requested for audit (\$2.5M).
- Recording of intra-City amounts due to/from and transferred to/from various funds such that the overall activity did not net to zero, as required by GAAP.
- An HRWTF fund accrual for receivables and revenues due from the Commonwealth for the nitrogen project was never recorded within the general ledger (\$1.7M).
- HRWTF and Sewer Service Funds' related accounts receivable balances had not been reviewed for collectability such that allowances for doubtful accounts (bad debt expense) had to be recorded (HRWTF - \$198,000; Sewer Service - \$1,220,000).

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

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

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

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

**Views of Responsible Officials:**

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

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

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

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

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

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

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

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

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

**Recommendation:** We recommend the City:

- Segregate users with the ability to administer security to the financial application from users with the ability to administer the financial application's database. In addition, the City should segregate access for users with the ability to administer security to the financial application from those with end user capabilities to the financial application. If access cannot be segregated, a mitigating control should be implemented to log all security changes made by the personnel and be periodically reviewed by an independent group.
- Perform scheduled periodic reviews of user access for the MUNIS application on an annual basis in order to identify unauthorized/inappropriate access based on job function, as well as to identify any terminated users who have remained active in the application. These reviews should be documented and changes identified during the access review should be processed in accordance with the access provisioning procedures. Also, the City should:
  - Perform a fraud risk assessment and verify functional segregation of duties and related anti-fraud control elements considered important.
  - Identify and verify key MUNIS forms and functions important to the segregation of duties and ensure that they are limited to only the desired MUNIS responsibilities consistent with the City's expectations.
  - Review end users' logical access against the end users' MUNIS responsibilities containing the aforementioned key forms and functions to ensure they remain appropriate given the employee/user's job responsibilities and duties, and the City's requirements for segregation of duties.
  - Design controls to operate on a quarterly basis to ensure all end user access remains appropriate considering a given employee's current job responsibilities, changes in employee status such as, new hires, terminations, and employee job rotation in the normal course of business.
  - Ensure that Information Technology personnel 1) do not have the responsibility for transaction and accounting duties normally performed by end users in the functional area and that 2) personnel administering security do not have responsibilities for programming, database management, or computer operations
  - Ensure controls are in place to ensure that all users are uniquely identified (i.e., there are no shared user IDs except for limited, read-only access).

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

***Views of Responsible Officials:***

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

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

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

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

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

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

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

***Views of Responsible Officials:***

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

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**SB-2**





# CITY OF HOPEWELL CITY COUNCIL ACTION FORM

**Strategic Operating Plan Vision Theme:**

- Civic Engagement
- Culture & Recreation
- Economic Development
- Education
- Housing
- Safe & Healthy Environment
- None (Does not apply)

**Order of Business:**

- Consent Agenda
- Public Hearing
- Presentation-Boards/Commissions
- Unfinished Business
- Citizen/Councilor Request
- Regular Business
- Reports of Council Committees

**Action:**

- Approve and File
- Take Appropriate Action
- Receive & File (no motion required)
- Approve Ordinance 1<sup>st</sup> Reading
- Approve Ordinance 2<sup>nd</sup> Reading
- Set a Public Hearing
- Approve on Emergency Measure

**COUNCIL AGENDA ITEM TITLE:**

CAFR Update – FY2016 – PB Mares (include transmittal files, SEFAs)

**ISSUE:** Request auditors provide information and respond to Council questions regarding the FY2016 CAFR.

**RECOMMENDATION:****TIMING:****BACKGROUND:****ENCLOSED DOCUMENTS:**

- 2016 CAFR

**STAFF:**

John Altman, City Manager

Michael Terry, Finance Director

**FOR IN MEETING USE ONLY**

**MOTION:** \_\_\_\_\_

**Roll Call****SUMMARY:**

Y	N		Y	N	
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Debbie Randolph, Ward #1	<input type="checkbox"/>	<input type="checkbox"/>	Councilor Janice Denton, Ward #5
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Arlene Holloway, Ward #2	<input type="checkbox"/>	<input type="checkbox"/>	Councilor Brenda Pelham, Ward #6
<input type="checkbox"/>	<input type="checkbox"/>	Councilor John B. Partin, Ward #3	<input type="checkbox"/>	<input type="checkbox"/>	Vice Mayor Patience Bennett, Ward #7
<input type="checkbox"/>	<input type="checkbox"/>	Mayor Jasmine Gore, Ward #4			

# 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  
CITY COUNCIL AND CITY OFFICIALS  
JUNE 30, 2016**

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**CITY COUNCIL**

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

**CONSTITUTIONAL OFFICERS**

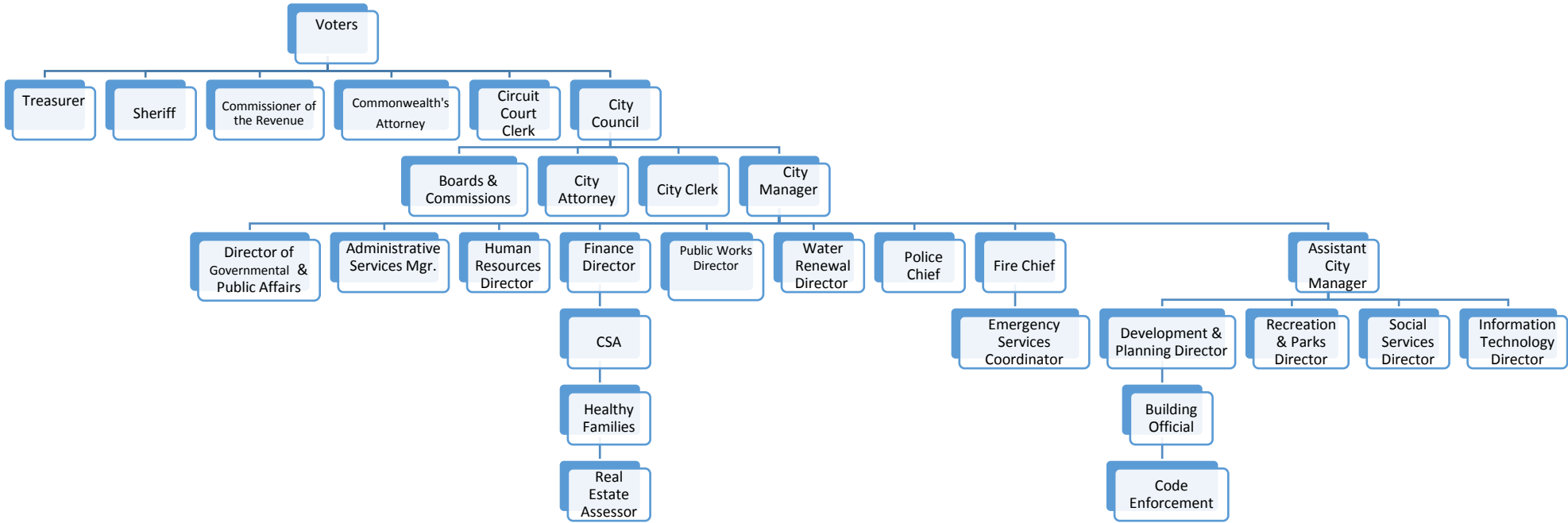
Teresa L. Batton .....City Treasurer  
Debra A. Reason .....Commissioner of Revenue  
Richard K. Newman .....Commonwealth’s Attorney  
Tamara J. Ward .....Clerk of the Circuit Court  
Luther Sodat .....Sheriff

**CITY ADMINISTRATION**

Mark A. Haley .....City Manager  
Charles E. Dane .....Assistant City Manager  
Stefan M. Calos .....City Attorney  
Ross A. Kearney, III .....City Clerk  
Tevya W. Griffin.....Planning and Neighborhood Services Director  
Raymond W. Spicer .....Social Services Director  
Aaron A. Reidmiller .....Recreation & Parks Director  
Edward O. Watson .....Public Works Director  
Herbert Bragg .....Governmental Affairs Director  
Aimee Francoeur.....Human Resources, Interim Director  
Eugenia E. Grandstaff .....Regional Wastewater Treatment Facility & Sewer System Director  
Jerry L. Whitaker .....Finance Director  
Donald R. Hunter, II .....Fire Department Chief  
John F. Keohane .....Police Department Chief

**CITY SCHOOLS**

Dr. Melody D. Hackney .....School Superintendent



October 24, 2018

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

**TO THE HONORABLE MEMBERS OF CITY COUNCIL:**

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



**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 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

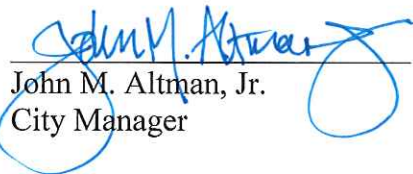
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's 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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**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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Assets and Liabilities</li> <li>• Statement of Changes in Fiduciary Assets and Liabilities</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or sooner thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow of information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during year, regardless of when cash is received or paid

**Government-Wide Statements**

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

The two government-wide statements report the City's net position and how they changed. Net position — the difference between the City's assets, 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



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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%
<b>Total Assets</b>	<u>111,862,955</u>	<u>111,655,454</u>	<u>103,314,855</u>	<u>148,436,210</u>	<u>215,177,810</u>	<u>260,091,664</u>	
<b>Deferred outflows of Resources</b>	<u>4,131,263</u>	<u>4,005,932</u>	<u>351,213</u>	<u>524,657</u>	<u>4,482,476</u>	<u>4,530,589</u>	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%
<b>Total Liabilities</b>	<u>87,918,123</u>	<u>88,034,611</u>	<u>46,361,061</u>	<u>50,293,349</u>	<u>134,279,184</u>	<u>138,327,960</u>	
<b>Deferred Inflows of Resources</b>	<u>15,330,657</u>	<u>13,159,794</u>	<u>914,857</u>	<u>475,487</u>	<u>16,245,514</u>	<u>13,635,281</u>	(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%)
<b>Total Net Position</b>	<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>	

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.

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**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	
<b>Revenues</b>							
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%)
<b>Total Revenues</b>	<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%
<b>Expenses</b>							
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%)
<b>Total Expenses</b>	<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	
<b>Net position - beginning of year (restated)</b>	<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>	
<b>Net position - end of year</b>	<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

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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%)
<b>Total</b>	<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.

**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		Business-Type		Total		Total Percentage Change
	Activities		Activities				
	2015	2016	2015	2016	2015	2016	
Land	\$ 6,776,914	\$ 7,166,135	\$ 598,419	\$ 598,419	\$ 7,375,333	\$ 7,764,554	5.28%
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%)
<b>Total</b>	<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.

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**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%)
<b>Total</b>	<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
<b>Assets</b>					
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)	-
<b>Total assets</b>	<b>111,655,454</b>	<b>148,436,210</b>	<b>260,091,664</b>	<b>37,172,731</b>	<b>1,678,477</b>
<b>Deferred outflows of resources</b>					
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	-
<b>Total deferred inflows of resources</b>	<b>4,005,932</b>	<b>524,657</b>	<b>4,530,589</b>	<b>3,555,449</b>	<b>-</b>
<b>Liabilities</b>					
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	-
<b>Total liabilities</b>	<b>88,034,611</b>	<b>50,293,349</b>	<b>138,327,960</b>	<b>54,418,030</b>	<b>1,678,477</b>
<b>Deferred inflows of resources</b>					
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	-
<b>Total deferred inflows of resources</b>	<b>13,159,794</b>	<b>475,487</b>	<b>13,635,281</b>	<b>3,946,030</b>	<b>-</b>
<b>Net position</b>					
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)	-
<b>Total net position</b>	<b>\$ 14,466,981</b>	<b>\$ 98,192,031</b>	<b>\$ 112,659,012</b>	<b>\$ (17,635,880)</b>	<b>\$ -</b>

**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
<b>Primary Government:</b>									
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
<b>Assets</b>					
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
<b>Total assets</b>	<b>\$ 29,713,522</b>	<b>\$ 402,261</b>	<b>\$ 16,499,131</b>	<b>\$ 510,225</b>	<b>\$ 47,125,139</b>
<b>Liabilities</b>					
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
<b>Total liabilities</b>	<b>1,857,331</b>	<b>402,261</b>	<b>2,572,958</b>	<b>421,885</b>	<b>5,254,435</b>
<b>Deferred inflows of resources</b>					
Unearned tax revenues	11,205,983	-	-	-	11,205,983
Unavailable tax revenues	2,079,169	-	-	-	2,079,169
<b>Total deferred inflows of resources</b>	<b>13,285,152</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,285,152</b>
<b>Fund balances:</b>					
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
<b>Total fund balances</b>	<b>14,571,039</b>	<b>-</b>	<b>13,926,173</b>	<b>88,340</b>	<b>28,585,552</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 29,713,522</b>	<b>\$ 402,261</b>	<b>\$ 16,499,131</b>	<b>\$ 510,225</b>	<b>\$ 47,125,139</b>

**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
<b>REVENUES</b>					
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>
<b>EXPENDITURES</b>					
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>
<b>OTHER FINANCING SOURCES (USES)</b>					
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
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>	4,682
Change in Net Position of Governmental Activities	\$		<u>1,721,543</u>

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

<b>Business-Type Activities - Enterprise Funds</b>						
	<b>Hopewell Regional Wastewater Treatment Facilities Fund</b>	<b>Sewer Service Fund</b>	<b>Solid Waste Fund</b>	<b>Storm Water Fund</b>	<b>Beacon Theatre Fund</b>	<b>Total</b>
<b>Assets</b>						
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>
<b>Deferred outflow of resources</b>						
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>
<b>Liabilities</b>						
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>
<b>Deferred inflow of resources</b>						
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>
<b>Net position</b>						
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**

	<b>Hopewell Regional Wastewater Treatment Facilities Fund</b>	<b>Sewer Service Fund</b>	<b>Solid Waste Fund</b>	<b>Storm Water Fund</b>	<b>Beacon Theatre Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>						
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>
<b>OPERATING EXPENSES</b>						
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>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
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	<u>40,675,831</u>	<u>1,138,594</u>	<u>250,513</u>	<u>254,782</u>	<u>(517,839)</u>	<u>41,801,881</u>
Total net position - beginning (Restated see Note 16)	<u>22,701,820</u>	<u>25,146,072</u>	<u>1,490,710</u>	<u>823,486</u>	<u>6,228,062</u>	<u>56,390,150</u>
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**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Total</b>
	<b>Hopewell Regional Wastewater Treatment Facilities Fund</b>	<b>Sewer Service Fund</b>	<b>Solid Waste Fund</b>	<b>Storm Water Fund</b>	<b>Beacon Theatre Fund</b>	
<b>Cash flows from operating activities</b>						
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)
<b>Net cash provided by (used in) operating activities</b>	<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>
<b>Cash flow from noncapital financing activities</b>						
Due to other funds	27,500	-	-	-	-	27,500
<b>Net cash provided by noncapital financing activities</b>	<u>27,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,500</u>
<b>Cash flows from capital and related financing activities</b>						
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)
<b>Net cash provided by (used in) capital and related financing activities</b>	<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>
<b>Cash flows from investing activities</b>						
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
<b>Net cash provided by investing activities</b>	<u>17,408</u>	<u>314,748</u>	<u>21</u>	<u>8</u>	<u>-</u>	<u>332,185</u>
<b>Net increase (decrease) in cash and investments</b>	<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>
<b>Cash and investments - beginning, including restricted</b>	<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>
<b>Cash and investments - ending, including restricted</b>	<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>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>						
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>
<b>Net cash provided by (used in) operating activities</b>	<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**

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



## **Note 1—Summary of Significant Accounting Policies**

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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).

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

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.

**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.

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.

**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.

	<b>Real Property</b>	<b>Personal Property</b>
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.

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.

**L. Use of Estimates**

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

**M. Fund Balance**

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

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



**N. Net Position**

Net position is the difference between assets, 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**

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**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.

**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	<u>\$ 36,869,902</u>	<u>\$ -</u>	<u>\$ 31,734,163</u>	<u>\$ 236,950</u>	<u>\$ 4,632,509</u>	<u>\$ 266,280</u>

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	<u>\$ 5,135,739</u>	<u>\$ 2,235,966</u>	<u>\$ 2,899,773</u>

**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
<b>Commonwealth of Virginia:</b>								
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
<b>Federal Government:</b>								
Community development block grants	-	-		57,510	-	57,510	-	-
School fund grants	-	-		-	-	-	2,697,492	-
<b>Hopewell Economic Development Authority</b>								
	-	-	400,000	-	-	400,000	-	-
<b>Total due from other governments</b>	<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**

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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
		\$ 2,856,372

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:

	<b>Balance July 1, 2015 (restated)</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2016</b>
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	9,573,760	3,183,254	-	12,757,014
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	91,465,265	1,367,448	(2,857,431)	89,975,282
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	(33,350,715)	(2,963,452)	941,058	(35,373,109)
Total capital assets being depreciated, net	58,114,550	(1,596,004)	(1,916,373)	54,602,173
Capital assets, net	\$ 67,688,310	\$ 1,587,250	\$ (1,916,373)	\$ 67,359,187

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

<b>Component Unit - School Board</b>	<b>Balance July 1, 2015 (restated)</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2016</b>
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-own ned 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-own ned 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:

<b>HRWTF</b>	<b>Balance July 1, 2015 (restated)</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2016</b>
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>

<b>Sewer Service Fund</b>	<b>Balance July 1, 2015 (restated)</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2016</b>
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**

<b>Solid Waste Fund</b>	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2015</b>	<b>Increase</b>	<b>Decrease</b>	<b>June 30, 2016</b>
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>

<b>Stormwater Fund</b>	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2015</b>	<b>Increase</b>	<b>Decrease</b>	<b>June 30, 2016</b>
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**

<b>Beacon Theatre Fund</b>	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2015</b>	<b>Increase</b>	<b>Decrease</b>	<b>June 30, 2016</b>
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>
<b>Governmental Obligations:</b>					
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	-
<b>Total incurred by City</b>	<b>58,391,300</b>	<b>3,927,215</b>	<b>(1,480,933)</b>	<b>60,837,582</b>	<b>1,134,215</b>
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
<b>Total incurred for School Board</b>	<b>26,140,201</b>	<b>-</b>	<b>(1,908,361)</b>	<b>24,231,840</b>	<b>2,131,640</b>
<b>Total Governmental Obligations</b>	<b>\$ 84,531,501</b>	<b>\$ 3,927,215</b>	<b>\$ (3,389,294)</b>	<b>\$ 85,069,422</b>	<b>\$ 3,265,855</b>
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	-
<b>Total Enterprise Obligations</b>	<b>\$ 43,270,950</b>	<b>\$ 6,079,385</b>	<b>\$ (6,613,703)</b>	<b>\$ 42,736,632</b>	<b>\$ 1,425,547</b>

\* 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
	<b>\$ 42,697,733</b>	<b>\$ 1,945,521</b>	<b>\$ (110,432)</b>	<b>\$ 44,532,822</b>	<b>\$ 336,026</b>

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	<b>City Obligations</b>	
	<b>General Obligation Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
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
<b>Total</b>	<b>\$ 35,732,412</b>	<b>\$ 12,349,257</b>

Year Ending June 30	<b>School Obligations</b>			
	<b>State Literary Fund Loans</b>		<b>General Obligation Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
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
<b>Total</b>	<b>\$ 2,073,400</b>	<b>\$ 118,452</b>	<b>\$ 22,158,440</b>	<b>\$ 10,829,501</b>

Year Ending June 30	<b>Enterprise Obligations</b>	
	<b>Revenue Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
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
<b>Total</b>	<b>\$ 37,130,000</b>	<b>\$ 24,028,169</b>

**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	\$ 1,280,582

**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
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
Total Incurred for City	\$ 59,556,730

**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
		2,073,400
Total State Literary Fund Loans		2,073,400

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
		22,158,440
Total Virginia Public Authority School Subsidy and Other Bonds		22,158,440
Total Incurred for School Board	\$	24,231,840

**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.

**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.



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**

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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**

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##### **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:

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<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<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"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<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"> <li>• School division employees</li> <li>• 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.</li> </ul>

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<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>

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		<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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> </ul>

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		<ul style="list-style-type: none"> <li>After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <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>

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		Members are eligible to receive distributions upon leaving employment, subject to restrictions.
<p><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.</p>	<p><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.</p>	<p><u>Earliest Unreduced Retirement Eligibility</u>  <b>Defined Benefit Component:</b>  Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Defined Contribution Component:</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><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.</p>	<p><u>Earliest Reduced Retirement Eligibility</u>  Age 60 with at least five years (60 months) of creditable service.</p>	<p><u>Earliest Unreduced Retirement Eligibility</u>  <b>Defined Benefit Component:</b>  Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b>Defined Contribution Component:</b>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><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%.</p> <p><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.</p> <p>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</p>	<p><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%.</p> <p><u>Eligibility:</u>  Same as Plan 1</p>	<p><u>Cost-of-Living Adjustment (COLA) in Retirement</u>  <b>Defined Benefit Component:</b>  Same as Plan 2.</p> <p><b>Defined Contribution Component:</b>  Not applicable.</p> <p><u>Eligibility:</u>  Same as Plan 1 and Plan 2.</p>

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<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"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<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>

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<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"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the highest of 4% of creditable compensation or average final compensation.</li> <li>• 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.</li> </ul> <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:

	<b>City</b>	<b>Schools - Nonprofessional</b>
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



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

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.

	<b>VRS General Employees</b>	<b>VRS Public Safety Employees</b>	<b>VRS School Board Teacher Retirement Plan Employees</b>
• 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.

- 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>VRS Plans</b>	
		<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Rate of Return</b>
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)%
<b>Total</b>	<b>100.00%</b>		<b>5.83%</b>
Inflation			2.50%
**Expected arithmetic nominal return			<b>8.33%</b>

- \*\* 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**  
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**H. Changes in Net Pension Liability**

	City		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balance at July 1, 2014</b>	<b>\$ 101,718,886</b>	<b>\$ 84,649,658</b>	<b>\$ 17,069,228</b>
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
<b>Balances at June 30, 2015</b>	<b>\$ 104,921,903</b>	<b>\$ 85,538,989</b>	<b>\$ 19,382,914</b>

	School Board - Nonprofessional		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balance at July 1, 2014</b>	<b>\$ 7,939,484</b>	<b>\$ 6,644,373</b>	<b>\$ 1,295,111</b>
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
<b>Balances at June 30, 2015</b>	<b>\$ 8,124,686</b>	<b>\$ 6,621,270</b>	<b>\$ 1,503,416</b>

**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**  
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**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:

	<b>City</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
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	-
<b>Total</b>	<b>\$ 2,214,028</b>	<b>\$ 2,429,298</b>

	<b>School Board - Nonprofessional</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
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	-
<b>Total</b>	<b>\$ 252,125</b>	<b>\$ 180,030</b>

\$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:

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

**CITY OF HOPEWELL, VIRGINIA**  
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**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	-
<b>Total</b>	<b>\$ 3,303,324</b>	<b>\$ 3,766,000</b>

\$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:

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

**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

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**

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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 style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>Years of Service</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><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>												
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11	40%												
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			<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>Years of Service</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><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												



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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:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
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**  
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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>
<b>City:</b>			
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
<b>School Board:</b>			
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

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.

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- 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:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Component Unit School Board</b>
<b>Government-wide</b>			
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	\$ 12,745,438	\$ 56,390,150	\$ (19,661,547)
 <b>Proprietary Funds</b>			
	<b>HRWTF</b>	<b>Sewer Service</b>	<b>Beacon Theatre</b>
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	\$ 22,701,820	\$ 25,146,072	\$ 6,228,062

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	<b>Balance Previously Reported June 30, 2015</b>	<b>Adjustment</b>	<b>Balance Restated June 30, 2015</b>
<b>HRWTF</b>			
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	21,828,130	2,646,675	24,474,805
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	63,960,865	114,625	64,075,490
Less accumulated depreciation for:			
Utility plant in service	(8,917,522)	(306,284)	(9,223,806)
Machinery and equipment	(52,322,782)	291,684	(52,031,098)
Total accumulated depreciation	(61,240,304)	(14,600)	(61,254,904)
Total capital assets being depreciated, net	2,720,561	100,025	2,820,586
HRWTF Fund capital assets, net	\$ 24,548,691	\$ 2,746,700	\$ 27,295,391

	<b>Balance Previously Reported June 30, 2015</b>	<b>Adjustment</b>	<b>Balance Restated June 30, 2015</b>
<b>Sewer Service Fund</b>			
Capital assets not subject to depreciation:			
Land	\$ 97,920	\$ -	\$ 97,920
Total capital assets not subject to depreciation	97,920	-	97,920
Capital assets subject to depreciation:			
Utility plant in service	501,878	-	501,878
Machinery and equipment	899,308	-	899,308
Sewer main improvements	36,619,168	-	36,619,168
Total capital assets being depreciated	38,020,354	-	38,020,354
Less accumulated depreciation for:			
Utility plant in service	(494,152)	-	(494,152)
Machinery and equipment	(822,456)	-	(822,456)
Sewer main improvements	(6,531,832)	(273,354)	(6,805,186)
Total accumulated depreciation	(7,848,440)	(273,354)	(8,121,794)
Total capital assets being depreciated, net	30,171,914	(273,354)	29,898,560
Sewer Service Fund, net	\$ 30,269,834	\$ (273,354)	\$ 29,996,480

**CITY OF HOPEWELL, VIRGINIA**  
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	<b>Balance Previously Reported June 30, 2015</b>	<b>Adjustment</b>	<b>Balance Restated June 30, 2015</b>
<b>Government Activities:</b>			
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	9,419,837	153,923	9,573,760
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-ow ned assets	33,877,224	1,334,626	35,211,850
Total capital assets being depreciated	90,354,923	1,110,342	91,465,265
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-ow ned assets	(7,715,677)	(677,408)	(8,393,085)
Total accumulated depreciation	(32,429,391)	(921,324)	(33,350,715)
Total capital assets being depreciated, net	57,925,532	189,018	58,114,550
Capital assets, net	\$ 67,345,369	\$ 342,941	\$ 67,688,310

	<b>Balance Previously Reported June 30, 2015</b>	<b>Adjustment</b>	<b>Balance Restated June 30, 2015</b>
<b>Component Unit - School Board</b>			
<b>Government Activities:</b>			
Capital assets not subject to depreciation:			
Land	\$ 474,629	\$ -	\$ 474,629
Total capital assets not subject to depreciation	474,629	-	474,629
Capital assets subject to depreciation:			
Buildings and improvements	62,970,849	68,868	63,039,717
Machinery and equipment	7,451,600	(68,868)	7,382,732
Jointly-ow ned assets	(33,877,224)	(1,334,626)	(35,211,850)
Total capital assets being depreciated	36,545,225	(1,334,626)	35,210,599
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-ow ned assets	7,715,677	677,408	8,393,085
Total accumulated depreciation	(11,584,794)	(937,666)	(12,522,460)
Total capital assets being depreciated, net	24,960,431	(2,272,292)	22,688,139
Capital assets, net	\$ 25,435,060	\$ (2,272,292)	\$ 23,162,768

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

	<b>General Fund</b>	<b>Capital Projects</b>	<b>Other Governmental Funds - CDBG</b>	<b>Total</b>
<b>Governmental Fund</b>				
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	\$ 12,438,697	\$ 15,510,379	\$ -	\$ 27,949,076

	<b>Building and Bus Replacement Fund</b>
<b>Discretely Presented Component Unit-School Board</b>	
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	\$ 617,368

## **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)
<b>REVENUES</b>				
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>
<b>EXPENDITURES</b>				
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
<b>OTHER FINANCING SOURCES (USES)</b>				
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)
<b>REVENUES</b>				
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>
<b>EXPENDITURES</b>				
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)
<b>OTHER FINANCING SOURCES</b>				
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
<b>Total Pension Liability</b>		
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>
<b>Plan fiduciary net position</b>		
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%
<b>Employer Contributions</b>		
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**

	<b>2016</b>	<b>2015</b>
<b>Total Pension Liability</b>		
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>
<b>Plan fiduciary net position</b>		
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%
<b>Employer Contributions</b>		
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**

	<b>2016</b>	<b>2015</b>
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	\$ -	\$ -
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.*

## Exhibit 16

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

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
<b>REVENUES</b>			
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>
<b>EXPENDITURES</b>			
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>
<b>OTHER FINANCING SOURCES</b>			
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
<b>Assets</b>				
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>
<b>Liabilities and fund balances</b>				
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
<b>REVENUES</b>				
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>
<b>EXPENDITURES</b>				
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>
<b>OTHER FINANCING SOURCES</b>				
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**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
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>
<b>EXPENDITURES</b>			
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>
<b>OTHER FINANCING SOURCES</b>			
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>
<b>REVENUES</b>			
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>
<b>EXPENDITURES</b>			
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>



## Exhibit 22

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Intergovernmental revenues -			
Commonwealth	\$ 5,000	\$ 6,303	\$ 1,303
Total revenues	<u>5,000</u>	<u>6,303</u>	<u>1,303</u>
<b>EXPENDITURES</b>			
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>
<b>Special Welfare Fund:</b>				
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
<b>Healthy Families Fund:</b>				
Assets -				
Cash and cash equivalents	\$ 3,913	\$ 202,881	\$ 206,794	\$ -
Liabilities -				
Amounts held for Healthy Family Funds	\$ 3,913	\$ 202,881	\$ 206,794	\$ -
<b>Police Evidence Fund</b>				
Assets -				
Cash and cash equivalents	\$ 29,485	\$ 10,068	\$ 28	\$ 39,525
Liabilities -				
Amounts held disposition	\$ 29,485	\$ 10,068	\$ 28	\$ 39,525
<b>Total Agency Funds:</b>				
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
<b>ASSETS</b>					
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>
<b>LIABILITIES AND FUND BALANCES</b>					
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>
<b>REVENUES</b>					
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>
<b>EXPENDITURES</b>					
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**

	<b>School Operating Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
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>
<b>EXPENDITURES</b>				
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**

	<b>School Cafeteria Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
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>
<b>EXPENDITURES</b>				
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		
<b>REVENUES</b>				
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>
<b>EXPENDITURES</b>				
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

	<b>Building and Bus Replacement Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
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>
<b>EXPENDITURES</b>				
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>
<b>Revenues:</b>			
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>
<b>Expenditures:</b>			
<b>Parks, recreation, and cultural:</b>			
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**

	Final Budget	Actual	Variance with Final Positive (Negative)
<b>Revenues</b>			
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>
<b>Expenditures</b>			
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)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
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>
 <b>School Cafeteria Fund:</b>				
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)
<b>Textbook Fund:</b>				
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>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Capital Projects Fund</b>				
<b>Building and Bus Replacement Fund</b>				
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**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board</b>				
<b>School Operating Fund</b>				
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>
<b>School Cafeteria Fund:</b>				
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>
<b>Textbook Fund:</b>				
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>
<b>Capital Projects Fund:</b>				
<b>Building and Bus Replacement Fund</b>				
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:

	<b><u>Table</u></b>
<b>Financial trends information</b> Financial trends information is intended to help the reader understand and assess how the City’s financial position has changed over time.	<b>1 to 4</b>
<b>Revenue capacity information</b> 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.	<b>5 to 8</b>
<b>Debt capacity information</b> 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.	<b>9 to 11</b>
<b>Demographic and economic information</b> Demographic and economic information is intended to help the reader understand the socioeconomic environment within which the City’s financial activities take place.	<b>12 to 14</b>
<b>Operating information</b> 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.	<b>15 to 16</b>

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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
<b>Government activities:</b>										
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)
<b>Total governmental activities net position</b>	<b>\$ 31,660,416</b>	<b>\$ 29,419,309</b>	<b>\$ 26,458,647</b>	<b>\$ 25,518,832</b>	<b>\$ 22,919,074</b>	<b>\$ 23,454,292</b>	<b>\$ 29,156,472</b>	<b>\$ 27,600,679</b>	<b>\$ 15,217,073</b>	<b>\$ 14,466,981</b>
<b>Business-Type activities:</b>										
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
<b>Total Business-Type activities net position</b>	<b>\$ 22,987,697</b>	<b>\$ 22,185,400</b>	<b>\$ 20,209,847</b>	<b>\$ 22,051,417</b>	<b>\$ 24,456,901</b>	<b>\$ 29,599,970</b>	<b>\$ 31,540,419</b>	<b>\$ 32,801,799</b>	<b>\$ 52,986,459</b>	<b>\$ 98,192,031</b>
<b>Primary Government:</b>										
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)
<b>Total Primary Government net position</b>	<b>\$ 54,648,113</b>	<b>\$ 51,604,709</b>	<b>\$ 46,668,494</b>	<b>\$ 47,570,249</b>	<b>\$ 47,375,975</b>	<b>\$ 53,054,262</b>	<b>\$ 60,696,891</b>	<b>\$ 60,402,478</b>	<b>\$ 68,203,532</b>	<b>\$ 112,659,012</b>

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
<b>Expenses</b>										
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
<b>Program Revenues</b>										
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
<b>General Revenues and other Changes in Net Position</b>										
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	-
<b>Total governmental activities</b>	<b>35,195,287</b>	<b>33,576,144</b>	<b>33,829,417</b>	<b>37,452,685</b>	<b>37,225,004</b>	<b>38,665,651</b>	<b>39,289,246</b>	<b>38,842,093</b>	<b>44,075,400</b>	<b>43,236,994</b>
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
<b>Total Business-Type activities</b>	<b>951,842</b>	<b>843,518</b>	<b>404,584</b>	<b>36,210</b>	<b>134,000</b>	<b>460,967</b>	<b>586,180</b>	<b>676,016</b>	<b>556,783</b>	<b>318,470</b>
<b>Total Primary Government</b>	<b>36,147,129</b>	<b>34,419,662</b>	<b>34,234,001</b>	<b>37,488,895</b>	<b>37,359,004</b>	<b>39,126,618</b>	<b>39,875,426</b>	<b>39,518,109</b>	<b>44,632,183</b>	<b>43,555,464</b>
Special item - loss on capital contributed	-	-	-	-	-	-	(1,160,000)	-	-	-
<b>Change in Net Position:</b>										
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
<b>Total Primary Government</b>	<b>\$ 4,032,787</b>	<b>\$ (2,348,504)</b>	<b>\$ (4,936,215)</b>	<b>\$ 300,115</b>	<b>\$ (194,274)</b>	<b>\$ 5,678,286</b>	<b>\$ 4,739,230</b>	<b>\$ 867,353</b>	<b>\$ 20,456,413</b>	<b>\$ 43,523,424</b>



**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						
<b>Total General Fund</b>	<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						
<b>Total all other Governmental funds</b>	<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
<b>Total General Fund</b>					<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)	-	-	-	-
<b>Total all other Governmental funds</b>					<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
<b>Revenues:</b>										
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
<b>Total revenues</b>	<b>45,395,511</b>	<b>46,343,270</b>	<b>46,025,680</b>	<b>50,955,585</b>	<b>48,187,618</b>	<b>51,323,718</b>	<b>53,392,709</b>	<b>51,380,578</b>	<b>52,454,462</b>	<b>56,037,784</b>
<b>Expenditures:</b>										
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
<b>Total expenditures</b>	<b>54,449,103</b>	<b>51,322,938</b>	<b>50,061,577</b>	<b>51,706,020</b>	<b>63,597,037</b>	<b>61,664,456</b>	<b>52,213,064</b>	<b>56,382,797</b>	<b>59,427,705</b>	<b>57,173,389</b>
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)
<b>Other financing sources (uses):</b>										
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	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses), net</b>	<b>-</b>	<b>(790,000)</b>	<b>10,332,340</b>	<b>2,801,771</b>	<b>18,158,970</b>	<b>-</b>	<b>(66,495)</b>	<b>10,452,927</b>	<b>5,427,000</b>	<b>1,280,852</b>
<b>Net change in fund balances</b>	<b>\$ (9,053,592)</b>	<b>\$ (5,769,668)</b>	<b>\$ 6,296,443</b>	<b>\$ 2,051,336</b>	<b>\$ 2,749,551</b>	<b>\$ (10,340,738)</b>	<b>\$ 1,113,150</b>	<b>\$ 5,450,708</b>	<b>\$ (1,546,243)</b>	<b>\$ 145,247</b>
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**

<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>General Government:</b>										
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
<b>Judicial Administration:</b>										
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
<b>Public Safety:</b>										
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
<b>Public Works:</b>										
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
<b>Health &amp; Welfare:</b>										
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
<b>Culture and Recreation:</b>										
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
<b>Totals</b>	<b>364</b>	<b>362</b>	<b>361</b>	<b>351</b>	<b>351</b>	<b>356</b>	<b>358</b>	<b>359</b>	<b>365</b>	<b>370</b>

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**

<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
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**

<b>Function</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
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**

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**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**

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**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

## CITY OF HOPEWELL, VIRGINIA

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**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2016**


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**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**

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**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**

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**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**

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**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**

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**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**

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**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.

## CITY OF HOPEWELL, VIRGINIA

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**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2016**


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**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.

## CITY OF HOPEWELL, VIRGINIA

Page 16

**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.

**SB-3**



# CITY OF HOPEWELL CITY COUNCIL ACTION FORM

**Strategic Operating Plan Vision Theme:**

- Civic Engagement
- Culture & Recreation
- Economic Development
- Education
- Housing
- Safe & Healthy Environment
- None (Does not apply)

**Order of Business:**

- Consent Agenda
- Public Hearing
- Presentation-Boards/Commissions
- Unfinished Business
- Citizen/Councilor Request
- Regular Business
- Reports of Council Committees

**Action:**

- Approve and File
- Take Appropriate Action
- Receive & File (no motion required)
- Approve Ordinance 1<sup>st</sup> Reading
- Approve Ordinance 2<sup>nd</sup> Reading
- Set a Public Hearing
- Approve on Emergency Measure

**COUNCIL AGENDA ITEM TITLE:**

CAFR Update – FY2017 – PB Mares (include transmittal files, SEFAs)

**ISSUE:** Request auditors provide information and respond to Council questions regarding the FY2017 CAFR.

**RECOMMENDATION:****TIMING:****BACKGROUND:****ENCLOSED DOCUMENTS:**

- 2017 CAFR

**STAFF:**

John M. Altman, Jr., City Manager  
Michael Terry, Finance Director

**FOR IN MEETING USE ONLY**

**MOTION:** \_\_\_\_\_

**Roll Call****SUMMARY:**

Y	N		Y	N	
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Debbie Randolph, Ward #1	<input type="checkbox"/>	<input type="checkbox"/>	Councilor Janice Denton, Ward #5
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Arlene Holloway, Ward #2	<input type="checkbox"/>	<input type="checkbox"/>	Councilor Brenda Pelham, Ward #6
<input type="checkbox"/>	<input type="checkbox"/>	Councilor John B. Partin, Ward #3	<input type="checkbox"/>	<input type="checkbox"/>	Vice Mayor Patience Bennett, Ward #7
<input type="checkbox"/>	<input type="checkbox"/>	Mayor Jasmine Gore, Ward #4			

# CITY OF HOPEWELL, VIRGINIA



**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2017**

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**CITY OF HOPEWELL, VIRGINIA  
CITY COUNCIL AND CITY OFFICIALS  
JUNE 30, 2017**

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**CITY COUNCIL**

Jackie M. Shornnak .....Mayor  
Jasmine E. Gore .....Vice Mayor  
Christina J. Luman-Bailey .....Councilor  
Arlene Holloway .....Councilor  
Anthony Zevgolis .....Councilor  
Janice Denton .....Councilor  
Brenda S. Pelham .....Councilor

**CONSTITUTIONAL OFFICERS**

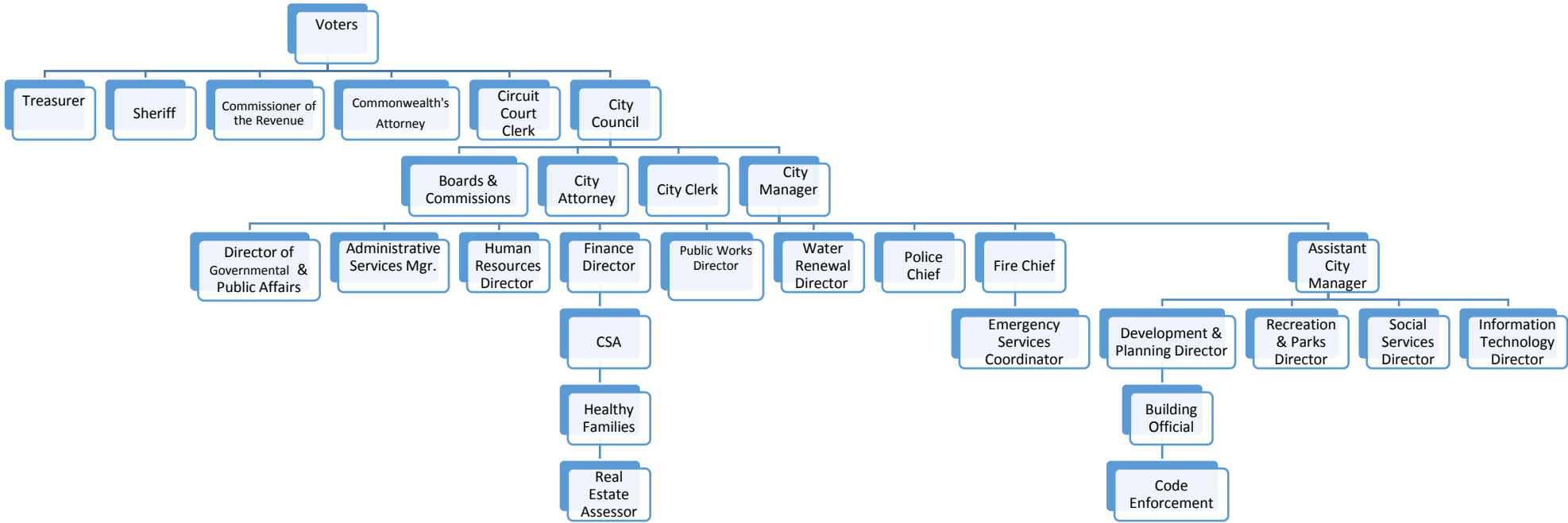
Teresa L. Batton .....City Treasurer  
Debra A. Reason .....Commissioner of Revenue  
Richard K. Newman .....Commonwealth’s Attorney  
Tamara J. Ward .....Clerk of the Circuit Court  
Luther Sodat .....Sheriff

**CITY ADMINISTRATION**

Mark A. Haley .....City Manager  
Charles E. Dane .....Assistant City Manager  
Stefan M. Calos .....City Attorney  
Ronnieye Arrington .....City Clerk  
Raymond W. Spicer .....Social Services Director  
Aaron A. Reidmiller .....Recreation Director  
Edward O. Watson .....Public Works Director  
Hebert Bragg .....Governmental Affairs Director  
Renia Coles .....Human Resources, Interim Director  
Eugenia E. Grandstaff .....Regional Wastewater Treatment Facility & Sewer System Director  
Lance Wolff .....Interim Finance Director  
Donald R. Hunter, II .....Fire Department Chief  
John F. Keohane .....Police Department Chief

**CITY SCHOOLS**

Dr. Melody D. Hackney .....Schools Superintendent





June 10, 2019

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

**TO THE HONORABLE MEMBERS OF CITY COUNCIL:**

The Comprehensive Annual Financial Report of the City of Hopewell, Virginia (the City) for the year ended June 30, 2017 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.



**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 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, 2017 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

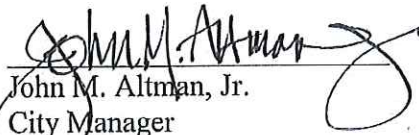
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's 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, 2017, 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, the Hopewell Regional Wastewater Treatment Facilities Fund, and the aggregate remaining fund information. Because of the matter described in the Basis for Disclaimer of Opinions 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 the enterprise funds consisting of the Sewer Service Fund, Solid Waste Fund, Storm Water Fund and Beacon Theatre Fund.

**Basis for Disclaimer of Opinions on the Business-type Activities and the Enterprise Funds Consisting of the Sewer Service Fund, Solid Waste Fund, Storm Water Fund and Beacon Theatre Fund**

The City and third-party management company were not able to provide sufficient appropriate audit evidence for multiple elements of the Beacon Theatre Fund. 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 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, the Hopewell Regional Wastewater Treatment Facilities 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, the Hopewell Regional Wastewater Treatment Facilities Fund, and the aggregate remaining fund information of the City, as of June 30, 2017, 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, the Solid Waste Fund and the Storm Water Fund to correct prior year errors in recording accounts receivable and revenue. The City restated fund balance of the General Fund and net position of the governmental activities to correct prior year cutoff errors related to the Community Development Block Grant. Our opinions for the governmental activities, the General Fund and the Hopewell Regional Wastewater Treatment Facilities Fund 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 77-83, 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 June 10, 2019 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.

Harrisonburg, Virginia  
June 10, 2019

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**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, 2017. 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 \$127.2 million. Of this total, \$112.1 million was related to business-type activities.
- In the City's business-type activities, total operating and non-operating revenues plus capital contributions were \$38.8 million and total operating and non-operating expenses were \$23.9 million.
- The total cost of all the City's programs and services was \$82.5 million.
- During this year, the net position of the City's governmental activities increased by \$.6 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are the government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how the general government services like public safety, public works and social services were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the Regional Wastewater Treatment Plant, Sewer Services, and Solid Waste operations.
  - Fiduciary fund statements provide information about the financial relationships — like the City's Special Welfare Fund — in which the City acts solely as a trustee or agent for the benefit of others, to whom 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, 2017**

Figure A-1 Major Features of City of Hopewell Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: solid waste, sewer services	Instances in which the City is trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Assets and Liabilities</li> <li>• Statement of Changes in Fiduciary Assets and Liabilities</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or sooner thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow of information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during year, regardless of when cash is received or paid

**Government-Wide Statements**

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

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

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

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

- **Governmental Activities** – Most of the City's basic services are included here, such as the police, fire, public works, parks, and social services departments, and general administration. Property taxes and state and federal grants finance the biggest share of these activities.
- **Business-Type Activities** – The City charges fees to customers to help it cover the costs of certain services it provides. The City's Regional Wastewater Treatment Facilities Plant, Sewer Services, Solid Waste, and Storm Water activities are included here. The Beacon Theatre is also included as a blended component unit in the Business-type activities section of the government-wide financial statements.
- **Component Units** – The City includes two other entities in its report – The Hopewell City School Board and the 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, 2017

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, 2017**

	Governmental		Business-Type		Total		Total Percentage Change
	Activities		Activities				
	2016	2017	2016	2017	2016	2017	
Current and other assets	\$ 44,318,310	\$ 44,214,869	\$ 43,161,593	\$ 42,777,238	\$ 87,479,903	\$ 86,992,107	(0.56%)
Capital assets	67,359,187	67,974,515	104,289,566	115,290,101	171,648,753	183,264,616	6.77%
<b>Total Assets</b>	<b>111,677,497</b>	<b>112,189,383</b>	<b>147,451,159</b>	<b>158,067,339</b>	<b>259,128,656</b>	<b>270,256,722</b>	
<b>Deferred outflows of Resources</b>	<b>4,005,932</b>	<b>6,124,712</b>	<b>524,657</b>	<b>1,056,609</b>	<b>4,530,589</b>	<b>7,181,321</b>	58.51%
Current Liabilities	2,965,189	4,783,381	7,556,717	4,432,487	10,521,906	9,215,868	(12.41%)
Long-term liabilities	85,069,422	87,089,741	42,736,632	42,437,304	127,806,054	129,527,045	1.35%
<b>Total Liabilities</b>	<b>88,034,611</b>	<b>91,873,122</b>	<b>50,293,349</b>	<b>46,869,791</b>	<b>138,327,960</b>	<b>138,742,913</b>	
<b>Deferred Inflows of Resources</b>	<b>13,159,794</b>	<b>11,351,029</b>	<b>475,487</b>	<b>129,275</b>	<b>13,635,281</b>	<b>11,480,304</b>	(15.80%)
Net Position:							
Net investment in capital assets	42,341,332	21,178,316	70,349,924	81,600,637	112,691,256	102,778,953	(8.80%)
Restricted	-	-	2,928,418	2,608,185	2,928,418	2,608,185	(10.94%)
Unrestricted	(27,852,308)	(6,088,372)	23,928,638	27,916,060	(3,923,670)	21,827,688	(656.31%)
<b>Total Net Position</b>	<b>\$ 14,489,024</b>	<b>\$ 15,089,944</b>	<b>\$ 97,206,980</b>	<b>\$ 112,124,882</b>	<b>\$ 111,696,004</b>	<b>\$ 127,214,826</b>	

Total net position increased approximately \$.6 million during the current fiscal year for the City's governmental activities.

Total net position increased approximately \$14.9 million for the business-type activities. These resources are not used to make up any net asset deficit in governmental activities. The City uses its net position to finance the continuing operations of the solid waste and sewer operations.

**Changes in Net Position**

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

**CITY OF HOPEWELL, VIRGINIA**  
 Management's Discussion and Analysis  
 June 30, 2017

**Governmental Activities**

Total governmental activities revenues increased by 6% over 2016. At the same time, expenses increased by 8% over 2016. The combined revenues and expenses created an increase in net position of \$.6 million.

**Business-Type Activities**

Charges for services of the City's business-type activities increased 8% and expenses decreased by 12%. The combined revenues and expenses created an increase in net position of \$14.9 million driven by significant grants and contributed capital amounts in 2017.

**Table A-2**

**City of Hopewell, Virginia  
 Changes in Net Position  
 For the Year ended June 30, 2017**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2016	2017	2016	2017	2016	2017	
<b>Revenues</b>							
Program revenues:							
Charges for services	\$ 1,123,375	\$ 1,594,956	\$ 26,589,787	\$ 28,716,225	\$ 27,713,162	\$ 30,311,181	9.37%
Federal/state operating grants	11,244,004	11,667,396	21,906,801	6,889,200	33,150,805	18,556,596	(44.02%)
Federal/state/local capital grants	593,982	1,500,096	13,305,001	2,982,290	13,898,983	4,482,386	(67.75%)
General revenues:							
Property taxes	31,221,372	32,304,897	-	-	31,221,372	32,304,897	3.47%
Other taxes	9,125,946	8,933,838	-	-	9,125,946	8,933,838	(2.11%)
Other	2,911,718	3,313,309	318,470	214,215	3,230,188	3,527,524	9.20%
<b>Total Revenues</b>	<u>56,220,397</u>	<u>59,314,493</u>	<u>62,120,059</u>	<u>38,801,930</u>	<u>118,340,456</u>	<u>98,116,423</u>	(17.09%)
<b>Expenses</b>							
General government	5,065,483	6,144,219	-	-	5,065,483	6,144,219	21.30%
Judicial	2,694,035	2,844,801	-	-	2,694,035	2,844,801	5.60%
Public safety	14,031,657	15,493,658	-	-	14,031,657	15,493,658	10.42%
Public works	5,794,089	5,979,173	-	-	5,794,089	5,979,173	3.19%
Health & welfare	5,899,170	5,960,782	-	-	5,899,170	5,960,782	1.04%
Education	13,995,712	14,318,352	-	-	13,995,712	14,318,352	2.31%
Parks, recreation, and cultural	2,421,366	2,503,892	1,376,547	1,571,265	3,797,913	4,075,157	7.30%
Community development	2,323,189	2,816,814	-	-	2,323,189	2,816,814	21.25%
Interest on long-term debt	2,252,111	2,651,880	-	-	2,252,111	2,651,880	17.75%
Public utilities	-	-	19,926,682	22,312,763	19,926,682	22,312,763	11.97%
<b>Total Expenses</b>	<u>54,476,812</u>	<u>58,713,573</u>	<u>21,303,229</u>	<u>23,884,028</u>	<u>75,780,041</u>	<u>82,597,601</u>	9.00%
Change in Net Position	1,743,585	600,920	40,816,830	14,917,902	42,560,415	15,518,822	
<b>Net position - beginning of year (restated)</b>	<u>12,745,439</u>	<u>14,489,024</u>	<u>56,390,150</u>	<u>97,206,980</u>	<u>69,135,589</u>	<u>111,696,004</u>	
<b>Net position - end of year</b>	<u>\$ 14,489,024</u>	<u>\$ 15,089,944</u>	<u>\$ 97,206,980</u>	<u>\$ 112,124,882</u>	<u>\$ 111,696,004</u>	<u>\$ 127,214,826</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

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 74% of the \$56.1 million total costs of services.
- However, the amount that our taxpayers paid for these activities was \$32.4 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, 2017**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2016	2017		2016	2017	
	Public Safety	\$ 14,031,657		\$ 15,493,658	10.4%	
Public Works	5,794,089	5,979,173	3.2%	1,196,801	480,716	(59.8%)
Health & Welfare	5,899,170	5,960,782	1.0%	2,141,557	1,923,914	(10.2%)
Education	13,995,712	14,318,352	2.3%	13,995,712	14,318,352	2.3%
Other	12,504,073	14,309,727	14.4%	10,457,159	11,463,251	9.6%
<b>Total</b>	<b>\$ 52,224,701</b>	<b>\$ 56,061,692</b>		<b>\$ 39,850,890</b>	<b>\$ 41,299,245</b>	

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

**General Fund**

The City closed the fiscal year ended June 30, 2017 with the General Fund reporting total fund balance of \$14 million. The unassigned fund balance was \$6.8 million, which was approximately \$.2 million more than last year.

**Capital Projects Fund**

The City closed the fiscal year ended June 30, 2017 with its Capital Projects Fund reporting the following fund balances; nonspendable of \$1.3 million, restricted of \$9.3 million, and unassigned of \$ (.02) million totaling \$10.4 million which was approximately \$3.6 million less than last year.

**Virginia Public Assistance Fund**

The City closed the fiscal year ended June 30, 2017 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.



**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the fiscal year ended June 30, 2017, 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 \$2.6 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 2017, the City had invested \$183 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, 2017**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2016	2017	2016	2017	2016	2017	
	Land	\$ 7,166,135	\$ 7,200,614	\$ 598,419	\$ 707,129	\$ 7,764,554	
Buildings, system improvements, and infrastructure	26,708,763	28,205,099	36,093,079	38,306,445	62,801,842	66,511,544	5.91%
Equipment	3,661,570	6,121,861	1,936,793	1,718,842	5,598,363	7,840,703	40.05%
Construction in progress	5,590,879	4,346,741	65,661,275	74,557,685	71,252,154	78,904,426	10.74%
Jointly-owned assets	24,231,840	22,100,200	-	-	24,231,840	22,100,200	(8.80%)
<b>Total</b>	<u>\$ 67,359,187</u>	<u>\$ 67,974,515</u>	<u>\$104,289,566</u>	<u>\$115,290,101</u>	<u>\$171,648,753</u>	<u>\$183,264,616</u>	

There were major capital asset additions in fiscal year 2017 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 2017 capital projects budget was \$21 million, of which \$5 million was for debt service and \$16 million was for infrastructure improvements and various equipment/vehicle purchases.

**CITY OF HOPEWELL, VIRGINIA**  
 Management's Discussion and Analysis  
 June 30, 2017

**Long-Term Debt - Governmental Activities**

At year-end, the City had \$57 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, 2017**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2016	2017	2016	2017	2016	2017	
General obligation bonds	\$ 57,890,852	\$ 55,321,601	\$ -	\$ -	\$ 57,890,852	\$ 55,321,601	(4.44%)
Literary loans	2,073,400	1,599,200	-	-	2,073,400	1,599,200	(22.87%)
Revenue bonds	-	-	37,130,000	35,725,000	37,130,000	35,725,000	(3.78%)
<b>Total</b>	<b>\$ 59,964,252</b>	<b>\$ 56,920,801</b>	<b>\$ 37,130,000</b>	<b>\$ 35,725,000</b>	<b>\$ 97,094,252</b>	<b>\$ 92,645,801</b>	

**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, 2017**

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-Type Activities	Total	School Board	Children's Services Act Board
<b>Assets</b>					
Cash and investments	\$ 10,504,578	\$ 29,745,085	\$ 40,249,663	\$ 10,848,305	\$ 772,616
Taxes receivable	13,477,551	-	13,477,551	-	-
Accounts receivable	643,998	3,388,731	4,032,729	31,680	-
Notes receivable	120,897	55,369	176,266	-	58
Interest receivable	284	691	975	-	-
Due from School Board	7,132,845	-	7,132,845	-	-
Due from Primary Government	-	-	-	-	331,023
Due from other governmental units	1,728,564	397,071	2,125,635	3,088,986	577,559
Internal balances	27,500	(27,500)	-	-	-
Inventories	61,554	1,277,639	1,339,193	77,559	-
Prepaid expenses	2,180	10,991	13,171	-	-
Restricted assets:					
Cash and investments (in custody of others)	9,256,135	5,128,338	14,384,473	-	-
Note receivable, net of current portion	1,258,783	2,800,823	4,059,606	-	-
Capital assets, net of accumulated depreciation:					
Land	7,200,614	707,129	7,907,743	474,629	-
Work in progress	4,346,741	74,557,685	78,904,426	-	-
Buildings, system improvements, and Infrastructure	76,266,112	20,336,801	96,602,913	36,139,949	-
Machinery and equipment	15,366,946	56,113,654	71,480,600	8,350,687	-
Sewer main improvements	-	38,327,067	38,327,067	-	-
Accumulated depreciation	(35,205,898)	(74,752,235)	(109,958,133)	(18,709,591)	-
<b>Total assets</b>	<b>112,189,383</b>	<b>158,067,339</b>	<b>270,256,722</b>	<b>40,302,204</b>	<b>1,681,256</b>
<b>Deferred outflows of resources</b>					
Deferred outflows related to debt	2,042,186	28,366	2,070,552	-	-
Deferred outflows related to pensions	4,082,526	1,028,243	5,110,769	6,410,236	-
<b>Total deferred inflows of resources</b>	<b>6,124,712</b>	<b>1,056,609</b>	<b>7,181,321</b>	<b>6,410,236</b>	<b>-</b>
<b>Liabilities</b>					
Accounts payable	1,867,237	882,918	2,750,155	1,681,268	223,567
Accrued liabilities	1,033,069	2,186,317	3,219,386	3,940,721	468
Refund credits payable	-	730,847	730,847	-	-
Accrued interest payable	700,916	603,825	1,304,741	-	-
Due to Primary Government	-	-	-	6,291,973	-
Due to other governmental units	1,182,159	-	1,182,159	-	1,457,221
Unearned revenues	-	-	-	-	-
Unearned revenues	-	28,580	28,580	537,724	-
Long-term liabilities:					
Due within one year	3,337,981	1,451,652	4,789,633	210,859	-
Due in more than one year	83,751,760	40,985,652	124,737,412	47,670,712	-
<b>Total liabilities</b>	<b>91,873,122</b>	<b>46,869,791</b>	<b>138,742,913</b>	<b>60,333,257</b>	<b>1,681,256</b>
<b>Deferred inflows of resources</b>					
Unearned tax revenues	11,336,211	-	11,336,211	-	-
Deferred inflows related to pensions	14,818	129,275	144,093	3,093,921	-
<b>Total deferred inflows of resources</b>	<b>11,351,029</b>	<b>129,275</b>	<b>11,480,304</b>	<b>3,093,921</b>	<b>-</b>
<b>Net position</b>					
Net investment in capital assets	21,178,316	81,600,637	102,778,953	26,255,674	-
Restricted	-	2,608,185	2,608,185	1,194,602	-
Unrestricted	(6,088,372)	27,916,060	21,827,688	(44,165,014)	-
<b>Total net position</b>	<b>\$ 15,089,944</b>	<b>\$ 112,124,882</b>	<b>\$ 127,214,826</b>	<b>\$ (16,714,738)</b>	<b>\$ -</b>

**City of Hopewell, Virginia**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

**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
<b>Primary Government:</b>									
Governmental activities:									
General government administration	\$ 6,144,219	\$ 896,400	\$ 655,640	\$ -	\$ (4,592,178)	\$ -	\$ (4,592,178)	\$ -	\$ -
Judicial administration	2,844,801	59,484	703,161	-	(2,082,157)	-	(2,082,157)	-	-
Public safety	15,493,658	502,342	1,878,304	-	(13,113,012)	-	(13,113,012)	-	-
Public works	5,979,173	-	3,998,361	1,500,096	(480,716)	-	(480,716)	-	-
Health and welfare	5,960,782	-	4,036,869	-	(1,923,914)	-	(1,923,914)	-	-
Education	14,318,352	-	-	-	(14,318,352)	-	(14,318,352)	-	-
Parks, recreation, and cultural	2,503,892	136,730	176,587	-	(2,190,575)	-	(2,190,575)	-	-
Community development	2,816,814	-	218,474	-	(2,598,340)	-	(2,598,340)	-	-
Interest on long-term debt	2,651,880	-	-	-	(2,651,880)	-	(2,651,880)	-	-
Total governmental activities	58,713,573	1,594,956	11,667,396	1,500,096	(43,951,125)	-	(43,951,125)	-	-
Business-Type activities:									
Hopewell Regional Wastewater Facilities Fund	12,103,802	15,447,573	6,589,200	2,982,290	-	12,915,261	12,915,261	-	-
Sewer Service Fund	7,936,707	9,250,059	-	-	-	1,313,352	1,313,352	-	-
Solid Waste Fund	1,654,763	2,103,425	-	-	-	448,662	448,662	-	-
Storm Water Fund	617,491	873,902	-	-	-	256,411	256,411	-	-
Beacon Theatre Fund	1,571,265	1,041,266	300,000	-	-	(229,999)	(229,999)	-	-
Total Business-Type activities	23,884,028	28,716,225	6,889,200	2,982,290	-	14,703,687	14,703,687	-	-
Total Primary Government	\$ 82,597,601	\$ 30,311,181	\$ 18,556,596	\$ 4,482,386	(43,951,125)	14,703,687	(29,247,438)	-	-
Component units:									
School Board	\$ 51,093,603	\$ 835,625	\$ 35,750,883	-	-	-	-	(14,507,095)	-
Children's Services Act Board	2,825,383	-	2,825,383	-	-	-	-	-	-
Total component units	\$ 53,918,986	\$ 835,625	\$ 38,576,266	\$ -	-	-	-	(14,507,095)	-
General revenues:									
General property taxes					32,304,897	-	32,304,897	-	-
Local sales tax					2,076,135	-	2,076,135	-	-
Business license tax					1,715,614	-	1,715,614	-	-
Communications tax					745,280	-	745,280	-	-
Restaurant food taxes					2,728,000	-	2,728,000	-	-
Other local taxes					1,668,809	-	1,668,809	-	-
Unrestricted from use of money and property					173,092	214,215	387,307	181	-
Fines and forfeitures					1,623,142	-	1,623,142	-	-
Miscellaneous					1,581,652	-	1,581,652	101,824	-
City contributions					-	-	-	15,326,232	-
Loss on sale of assets					(64,575)	-	(64,575)	-	-
Total general revenues					44,552,046	214,215	44,766,261	15,428,237	-
Change in net position					600,920	14,917,902	15,518,822	921,142	-
Net position - beginning, as restated (Note 16)					14,489,024	97,206,980	111,696,004	(17,635,880)	-
Net position - ending					\$ 15,089,944	\$ 112,124,882	\$ 127,214,826	\$ (16,714,738)	\$ -

**City of Hopewell, Virginia**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 6,090,898	\$ -	\$ 4,226,045	\$ 187,635	\$ 10,504,578
Receivables (net of allowance for uncollectibles):					
Taxes receivable	13,477,551	-	-	-	13,477,551
Accounts receivable	594,839	-	47,435	1,724	643,998
Interest receivable	276	5	3	-	284
Due from other funds	3,513,789	-	-	-	3,513,789
Due from School Board	7,132,845	-	1,379,680	-	8,512,525
Due from other governments	849,231	386,730	400,000	92,603	1,728,564
Inventories	61,554	-	-	-	61,554
Prepaid items	2,180	-	-	-	2,180
Restricted assets:					
Cash and investments	-	-	9,256,135	-	9,256,135
<b>Total assets</b>	<b>\$ 31,723,163</b>	<b>\$ 386,735</b>	<b>\$ 15,309,298</b>	<b>\$ 281,962</b>	<b>\$ 47,701,158</b>
<b>Liabilities</b>					
Accounts payable	\$ 794,050	\$ 260	\$ 957,445	\$ 115,482	\$ 1,867,237
Accrued liabilities	918,808	79,352	-	34,909	1,033,069
Due to other funds	-	307,123	3,159,335	19,831	3,486,289
Due to School Board	-	-	840,872	-	840,872
Due to other governments	341,287	-	-	-	341,287
<b>Total liabilities</b>	<b>2,054,145</b>	<b>386,735</b>	<b>4,957,652</b>	<b>170,222</b>	<b>7,568,754</b>
<b>Deferred inflows of resources</b>					
Unearned tax revenues	11,336,211	-	-	-	11,336,211
Unavailable tax revenues	4,287,178	-	-	-	4,287,178
<b>Total deferred inflows of resources</b>	<b>15,623,389</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,623,389</b>
<b>Fund balances:</b>					
Nonspendable:					
Prepaid items	2,180	-	-	-	2,180
Inventories	61,554	-	-	-	61,554
Due from School Board	-	-	1,258,783	-	1,258,783
Restricted for capital projects	-	-	9,256,135	-	9,256,135
Assigned:					
Fire department equipment	160,000	-	-	-	160,000
Next year budget	210,000	-	-	-	210,000
Rainy day emergency	5,276,626	-	-	-	5,276,626
Perpetual care	1,034,865	-	-	-	1,034,865
Self-insurance	500,000	-	-	-	500,000
Recreation	-	-	-	92,720	92,720
Anti-Litter	-	-	-	19,020	19,020
Unassigned	6,800,405	-	(163,272)	-	6,637,133
<b>Total fund balances</b>	<b>14,045,629</b>	<b>-</b>	<b>10,351,646</b>	<b>111,740</b>	<b>24,509,015</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 31,723,163</b>	<b>\$ 386,735</b>	<b>\$ 15,309,298</b>	<b>\$ 281,962</b>	<b>\$ 47,701,158</b>

**City of Hopewell, Virginia**  
**Reconciliation of the Balance Sheet of the Governmental Funds to the**  
**Statement of Net Position**  
**June 30, 2017**

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 24,509,015
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		67,974,515
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned in the funds.		
Uncollected taxes receivable		4,287,178
Deferred items:		
Deferred outflow related to debt	\$ 2,042,186	
Deferred pension contributions	1,991,834	
Deferred change between expected and actual experience	309,434	
Deferred change between projected and actual earnings on plan investments	1,781,258	
Deferred charge change in proportion	<u>(14,818)</u>	6,109,894
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	(56,920,801)	
Bond issuance premium	(31,928)	
Capital leases	(1,141,791)	
Landfill closure liability	(605,734)	
Accrued interest payable	(700,917)	
Net pension liability	(20,309,882)	
Other postemployment benefit obligations	(7,166,847)	
Compensated absences	<u>(912,757)</u>	<u>(87,790,657)</u>
Net position of governmental activities		<u>\$ 15,089,944</u>

**City of Hopewell, Virginia**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
General property taxes	\$ 28,478,608	\$ -	\$ -	\$ -	\$ 28,478,608
Other local taxes	6,005,644	-	2,728,000	-	8,733,644
Permits, privilege fees, and regulatory licenses	116,070	-	-	-	116,070
Fines and forfeitures	1,624,267	-	-	-	1,624,267
Revenues from use of money and property	65,169	1	86,629	21,288	173,087
Charges for services	579,526	-	-	136,730	716,256
Miscellaneous	1,209,461	80,610	338,681	209,120	1,837,872
Recovered costs	884,500	-	-	-	884,500
Intergovernmental revenues:					
Commonwealth	8,771,131	1,323,505	863,097	10,131	10,967,864
Federal	194,150	2,589,266	636,999	218,474	3,638,889
Total revenues	<u>47,928,526</u>	<u>3,993,382</u>	<u>4,653,406</u>	<u>595,743</u>	<u>57,171,057</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	5,001,250	-	-	-	5,001,250
Judicial administration	2,452,889	-	-	-	2,452,889
Public safety	14,442,125	-	-	-	14,442,125
Public works	4,668,843	-	-	1,651	4,670,494
Health and welfare	1,226,807	4,501,258	-	-	5,728,065
Education	12,114,545	-	-	-	12,114,545
Parks, recreation, and cultural	618,661	-	-	1,680,618	2,299,279
Community development	866,079	-	300,000	218,474	1,384,553
Nondepartmental	1,903,189	-	-	-	1,903,189
Capital projects	-	-	5,809,777	-	5,809,777
Debt service:					
Principal retirement	-	-	3,182,512	-	3,182,512
Interest and other fiscal charges	-	-	2,280,958	-	2,280,958
Total expenditures	<u>43,294,388</u>	<u>4,501,258</u>	<u>11,573,247</u>	<u>1,900,743</u>	<u>61,269,636</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,634,138</u>	<u>(507,876)</u>	<u>(6,919,841)</u>	<u>(1,305,000)</u>	<u>(4,098,579)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	507,876	3,345,314	1,328,400	5,181,590
Operating transfers out	<u>(5,181,590)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,181,590)</u>
Total other financing sources (uses), net	<u>(5,181,590)</u>	<u>507,876</u>	<u>3,345,314</u>	<u>1,328,400</u>	<u>-</u>
Net change in fund balances	(547,452)	-	(3,574,527)	23,400	(4,098,579)
Fund balance - beginning-as restated (Note 16)	14,593,081	-	13,926,173	88,340	28,607,594
Fund balance - ending	<u>\$ 14,045,629</u>	<u>\$ -</u>	<u>\$ 10,351,646</u>	<u>\$ 111,740</u>	<u>\$ 24,509,015</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, 2017**

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

Net change in fund balances per Exhibit 5 - total governmental funds		\$ (4,098,579)
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	\$ 5,435,248	
Jointly-owned assets adjustment	(1,188,552)	
Depreciation expense	<u>(3,566,794)</u>	679,902
Loss on sale of assets		(64,575)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		2,208,009
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Amortization of bond premium	33,225	
Principal payments on debt	3,182,512	
Amortization of deferred amount of refunding	(242,858)	
Increase in landfill closure liability	<u>(7,774)</u>	2,965,105
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	(161,289)	
Increase in other postemployment benefit payable	(789,352)	
Increase in net pension liability	(4,362,302)	
Increase in pension related deferred outflows	2,361,637	
Increase in pension related deferred inflows	1,938,993	
Decrease in compensated absences	<u>(76,629)</u>	(1,088,942)
Change in Net Position of Governmental Activities		<u>\$ 600,920</u>

**City of Hopewell, Virginia**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

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	<b>Business-Type Activities - Enterprise Funds</b>					
	<b>Hopewell Regional Wastewater Treatment Facilities Fund</b>	<b>Sewer Service Fund</b>	<b>Solid Waste Fund</b>	<b>Storm Water Fund</b>	<b>Beacon Theatre Fund</b>	<b>Total</b>
<b>Assets</b>						
<b>Current assets:</b>						
Cash and investments	\$ 10,818,135	\$ 16,318,098	\$ 2,052,554	\$ 543,485	\$ 12,813	\$ 29,745,085
Accounts receivable, net of allowance for uncollectibles	923,115	1,848,871	358,648	258,097	-	3,388,731
Due from Commonwealth of Virginia	397,071	-	-	-	-	397,071
Notes receivable	-	55,369	-	-	-	55,369
Interest receivable	-	540	110	41	-	691
Inventories	1,277,639	-	-	-	-	1,277,639
Prepaid expenses	-	-	-	-	10,991	10,991
Total current assets	<u>13,415,960</u>	<u>18,222,878</u>	<u>2,411,312</u>	<u>801,623</u>	<u>23,804</u>	<u>34,875,577</u>
<b>Noncurrent assets:</b>						
<b>Restricted assets:</b>						
Cash and investments	1,564,255	3,564,083	-	-	-	5,128,338
Total restricted assets	<u>1,564,255</u>	<u>3,564,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,128,338</u>
Note receivable, net of current portion	-	2,800,823	-	-	-	2,800,823
<b>Capital assets:</b>						
Land	216,026	97,920	-	108,710	284,473	707,129
Utility plant in service and buildings	14,173,072	501,878	-	-	5,661,851	20,336,801
Sewer main improvements	-	38,172,204	-	154,863	-	38,327,067
Machinery and equipment	54,405,770	1,183,372	51,075	97,935	375,502	56,113,654
Work in progress	73,910,973	161,452	-	485,260	-	74,557,685
Accumulated depreciation	(62,809,114)	(11,114,785)	(39,829)	(15,066)	(773,441)	(74,752,235)
Total capital assets	<u>79,896,727</u>	<u>29,002,041</u>	<u>11,246</u>	<u>831,702</u>	<u>5,548,385</u>	<u>115,290,101</u>
Total noncurrent assets	<u>81,460,982</u>	<u>35,366,947</u>	<u>11,246</u>	<u>831,702</u>	<u>5,548,385</u>	<u>123,219,262</u>
Total assets	<u>94,876,942</u>	<u>53,589,825</u>	<u>2,422,558</u>	<u>1,633,325</u>	<u>5,572,189</u>	<u>158,094,839</u>
<b>Deferred outflow of resources</b>						
Loss on refunding	28,366	-	-	-	-	28,366
Pensions	752,015	72,410	8,753	195,065	-	1,028,243
Total deferred outflow of resources	<u>780,381</u>	<u>72,410</u>	<u>8,753</u>	<u>195,065</u>	<u>-</u>	<u>1,056,609</u>
<b>Liabilities</b>						
<b>Current liabilities:</b>						
Accounts payable	534,919	98,289	100,286	149,424	-	882,918
Accrued liabilities	2,111,266	-	2,575	9,091	63,385	2,186,317
Refund credits payable	730,847	-	-	-	-	730,847
Accrued interest payable	91,164	512,661	-	-	-	603,825
Due to other funds	27,500	-	-	-	-	27,500
Compensated absences	3,900	5,128	102	2,522	-	11,652
Unearned revenues	-	-	-	-	28,580	28,580
Bonds payable	920,000	520,000	-	-	-	1,440,000
Total current liabilities	<u>4,419,596</u>	<u>1,136,078</u>	<u>102,963</u>	<u>161,037</u>	<u>91,965</u>	<u>5,911,639</u>
<b>Noncurrent liabilities:</b>						
Bonds payable, net of current portion	11,009,120	23,876,893	-	-	-	34,886,013
Net pension liability	3,741,964	360,308	12,656	288,957	-	4,403,885
OPEB liability	1,311,532	147,506	38,625	13,779	-	1,511,442
Compensated absences, net of current portion	163,978	15,489	978	3,867	-	184,312
Total noncurrent liabilities	<u>16,226,594</u>	<u>24,400,196</u>	<u>52,259</u>	<u>306,603</u>	<u>-</u>	<u>40,985,652</u>
Total liabilities	<u>20,646,190</u>	<u>25,536,274</u>	<u>155,222</u>	<u>467,640</u>	<u>91,965</u>	<u>46,897,291</u>
<b>Deferred inflow of resources</b>						
Pensions	24,622	104,653	-	-	-	129,275
Total deferred inflows of resources	<u>24,622</u>	<u>104,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,275</u>
<b>Net position</b>						
Net investment in capital assets	68,875,868	6,333,436	11,246	831,702	5,548,385	81,600,637
Restricted	879,896	1,728,289	-	-	-	2,608,185
Unrestricted	5,230,747	19,959,583	2,264,843	529,048	(68,161)	27,916,060
Total net position	<u>\$ 74,986,511</u>	<u>\$ 28,021,308</u>	<u>\$ 2,276,089</u>	<u>\$ 1,360,750</u>	<u>\$ 5,480,224</u>	<u>\$ 112,124,882</u>

The accompanying notes are an integral part of this statement.

**City of Hopewell, Virginia**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Total</b>
	<b>Hopewell Regional Wastewater Treatment Facilities Fund</b>	<b>Sewer Service Fund</b>	<b>Solid Waste Fund</b>	<b>Storm Water Fund</b>	<b>Beacon Theatre Fund</b>	
<b>OPERATING REVENUES</b>						
Charges for services:						
Wastewater treatment revenues	\$ 15,447,573	\$ -	\$ -	\$ -	\$ -	\$ 15,447,573
Sewer revenues	-	9,250,059	-	-	-	9,250,059
Refuse collection	-	-	2,103,425	-	-	2,103,425
Fees	-	-	-	873,902	-	873,902
Rental income	-	-	-	-	1,041,266	1,041,266
Total operating revenues	<u>15,447,573</u>	<u>9,250,059</u>	<u>2,103,425</u>	<u>873,902</u>	<u>1,041,266</u>	<u>28,716,225</u>
<b>OPERATING EXPENSES</b>						
Personnel services	2,967,135	274,237	33,088	208,729	-	3,483,189
Fringe benefits	1,280,715	141,096	(38,099)	185,051	-	1,568,763
Contractual services	1,782,393	2,689,629	1,118,540	161,756	982,016	6,734,334
Administrative services	15,940	-	-	108	2,925	18,973
Materials and supplies	160,438	129,615	2,707	2,332	24,880	319,972
Repairs and maintenance	36,278	569,572	6,523	22,885	6,851	642,109
Utilities	1,970,464	114,464	19,382	-	31,759	2,136,069
Fuel	5,302	9,236	801	901	-	16,240
Insurance	-	-	-	-	13,580	13,580
Chemicals	2,604,078	3,973	-	-	-	2,608,051
Miscellaneous	130,525	1,318,400	502,126	23,132	308,904	2,283,087
Depreciation	776,142	1,586,497	9,695	12,597	200,350	2,585,281
Total operating expenses	<u>11,729,410</u>	<u>6,836,719</u>	<u>1,654,763</u>	<u>617,491</u>	<u>1,571,265</u>	<u>22,409,648</u>
Operating income (loss)	<u>3,718,163</u>	<u>2,413,340</u>	<u>448,662</u>	<u>256,411</u>	<u>(529,999)</u>	<u>6,306,577</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment earnings	23,172	190,769	205	69	-	214,215
Governmental grants	6,589,200	-	-	-	-	6,589,200
Interest expense	(374,392)	(1,099,988)	-	-	-	(1,474,380)
Total nonoperating revenues (expenses), net	<u>6,237,980</u>	<u>(909,219)</u>	<u>205</u>	<u>69</u>	<u>-</u>	<u>5,329,035</u>
Income (loss) before contributions	<u>9,956,143</u>	<u>1,504,121</u>	<u>448,867</u>	<u>256,480</u>	<u>(529,999)</u>	<u>11,635,612</u>
Capital contributions	2,982,290	-	-	-	300,000	3,282,290
Total contributions	<u>2,982,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>3,282,290</u>
Change in net position	<u>12,938,433</u>	<u>1,504,121</u>	<u>448,867</u>	<u>256,480</u>	<u>(229,999)</u>	<u>14,917,902</u>
Total net position - beginning- as restated (Note 16)	<u>62,048,078</u>	<u>26,517,187</u>	<u>1,827,222</u>	<u>1,104,270</u>	<u>5,710,223</u>	<u>97,206,980</u>
Total net position - ending	<u>\$ 74,986,511</u>	<u>\$ 28,021,308</u>	<u>\$ 2,276,089</u>	<u>\$ 1,360,750</u>	<u>\$ 5,480,224</u>	<u>\$ 112,124,882</u>

**City of Hopewell, Virginia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**

	<b>Business-Type Activities - Enterprise Funds</b>					<b>Total</b>
	<b>Hopewell Regional Wastewater Treatment Facilities Fund</b>	<b>Sewer Service Fund</b>	<b>Solid Waste Fund</b>	<b>Storm Water Fund</b>	<b>Beacon Theatre Fund</b>	
<b>Cash flows from operating activities</b>						
Receipts from customers and users	\$ 18,729,315	\$ 8,658,032	\$ 1,979,872	\$ 825,621	\$ 1,069,867	\$ 31,262,708
Payments to suppliers	(6,960,227)	(4,889,908)	(1,661,878)	(204,002)	(1,357,054)	(15,073,069)
Payments to employees	(4,050,887)	(419,993)	(57,770)	(269,931)	-	(4,798,581)
<b>Net cash provided by (used in) operating activities</b>	<u>7,718,201</u>	<u>3,348,131</u>	<u>260,224</u>	<u>351,688</u>	<u>(287,187)</u>	<u>11,391,057</u>
<b>Cash flows from capital and related financing activities</b>						
Purchase of capital assets	(15,585,433)	(609,237)	-	(451,027)	-	(16,645,697)
Capital contributions and grants	11,357,488	-	-	-	300,000	11,657,488
Principal payments on bonds	(901,703)	(528,439)	-	-	-	(1,430,142)
Interest payments	(374,575)	(1,148,145)	-	-	-	(1,522,720)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(5,504,222)</u>	<u>(2,285,821)</u>	<u>-</u>	<u>(451,027)</u>	<u>300,000</u>	<u>(7,941,070)</u>
<b>Cash flows from investing activities</b>						
Interest and dividends received	23,172	235,480	94	34	-	258,780
Purchase of investments	-	(2,783,758)	-	-	-	(2,783,758)
Sale of investments	-	2,920,000	-	-	-	2,920,000
Principal payments received on notes receivable	-	55,378	-	-	-	55,378
<b>Net cash provided by investing activities</b>	<u>23,172</u>	<u>427,100</u>	<u>94</u>	<u>34</u>	<u>-</u>	<u>450,400</u>
<b>Net increase (decrease) in cash and investments</b>	<u>2,237,151</u>	<u>1,489,410</u>	<u>260,318</u>	<u>(99,305)</u>	<u>12,813</u>	<u>3,900,387</u>
<b>Cash and investments - beginning, including restricted</b>	<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>
<b>Cash and investments - ending, including restricted</b>	<u>\$ 12,382,390</u>	<u>\$ 14,894,632</u>	<u>\$ 2,052,554</u>	<u>\$ 543,485</u>	<u>\$ 12,813</u>	<u>\$ 29,885,874</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>						
Operating income (loss)	\$ 3,718,163	\$ 2,413,340	\$ 448,662	\$ 256,411	\$ (529,999)	\$ 6,306,577
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation expense	776,142	1,586,497	9,695	12,597	200,350	2,585,281
Pension and OPEB related	206,872	(15,219)	(64,422)	105,929	-	233,160
(Increase) decrease in accounts receivable	3,281,742	(592,027)	(123,553)	(48,281)	-	2,517,882
(Increase) decrease in inventories	(232,699)	-	-	-	-	(232,699)
Increase (decrease) in accounts payable and accrued liabilities	(32,019)	(44,460)	(10,158)	25,032	13,881	(47,724)
Increase (decrease) in unearned revenues	-	-	-	-	28,581	28,581
Total adjustments	<u>4,000,038</u>	<u>934,791</u>	<u>(188,438)</u>	<u>95,277</u>	<u>242,812</u>	<u>5,084,480</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 7,718,201</u>	<u>\$ 3,348,131</u>	<u>\$ 260,224</u>	<u>\$ 351,688</u>	<u>\$ (287,187)</u>	<u>\$ 11,391,057</u>

**City of Hopewell, Virginia**  
**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Funds**  
**June 30, 2017**

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	<b>Agency Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 109,128
Total assets	\$ 109,128
<b>Liabilities</b>	
Amounts held for others	\$ 109,128
Total liabilities	\$ 109,128

## **Note 1—Summary of Significant Accounting Policies**

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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, solid waste and storm water 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).

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

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 \$2,149,560 during fiscal year 2017.

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 \$587,630 to the Library for fiscal year 2017. 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 \$34,620, respectively, during fiscal year 2017 to these entities. The City also participates with six other localities in the Crater Youth Care Commission and provided funding in the amount of \$401,144 during fiscal year 2017.

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, 2017 are Economic Development Authority and Hopewell Redevelopment and Housing Authority.



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

The accompanying financial statements are prepared in 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.

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.

**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 \$186,440 at June 30, 2017 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.

	<b>Real Property</b>	<b>Personal Property</b>
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 value at the date of donation.

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

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

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

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

**I. Deferred Outflows and Inflows of Resources**

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

**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.

**L. Use of Estimates**

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

**M. Fund Balance**

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

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

**N. Net Position**

Net position is the difference between assets, 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 \$9,256,135 and \$5,128,338 respectively that represents bond proceeds that have not been spent at June 30, 2017 in accordance with the terms of the bond.

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**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, 2017 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The City's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed 35% of the investment portfolio.

**D. External Investment Pools**

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

**City’s Rated Debt Investment Values**

Investment Type	Total	Fair Quality Ratings				
		AAA	AAAm	AA	AA+	A
LGIP	\$ 15,360,403	\$ -	\$ 15,360,403	\$ -	\$ -	\$ -
SNAP	14,133,132	-	14,133,132	-	-	-
U.S. Government Issues	4,751,108	-	-	-	4,751,108	-
Corporate Bonds	475,210	-	-	250,548	-	224,662
Total	<u>\$ 34,719,853</u>	<u>\$ -</u>	<u>\$ 29,493,535</u>	<u>\$ 250,548</u>	<u>\$ 4,751,108</u>	<u>\$ 224,662</u>

Investment Type	Investment Maturities (in Years)		
	Fair Value	Less than 1	
		Year	1-5 Years
U.S. Government Issues	\$ 4,751,108	\$ 702,510	\$ 4,048,598
Corporate Bonds	475,210	250,548	224,663
Total	<u>\$ 5,226,318</u>	<u>\$ 953,057</u>	<u>\$ 4,273,260</u>

**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, 2017:

- Corporate Bonds of \$.50 million are valued using quoted market prices (Level 1 inputs)
- U.S. Government Issues of \$4.8 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, 2017**

**Note 3—Due from Other Governments and Component Units**

At June 30, 2017, 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
<b>Commonwealth of Virginia:</b>								
Local sales tax	\$ 345,148	\$ -	\$ -	\$ -	\$ -	\$ 345,148	\$ 742,578	\$ -
Communications tax	130,867	-	-	-	-	130,867	-	-
E-911 wireless funds	9,590	-	-	-	-	9,590	-	-
VPA funds	-	386,730	-	-	-	386,730	-	-
Consumption and utility tax	47,065	-	-	-	-	47,065	-	-
Department of Environmental Quality	-	-	-	-	397,071	397,071	-	-
Constitutional officer reimbursements	98,508	-	-	-	-	98,508	-	-
Court fines and fees	171,200	-	-	-	-	171,200	-	-
Railroad rolling stock tax	23,855	-	-	-	-	23,855	-	-
Mobile homes titling tax	150	-	-	-	-	150	-	-
DMV rental tax	2,408	-	-	-	-	2,408	-	-
Other State grants	20,440	-	-	-	-	20,440	-	-
Children's Services Act Board	-	-	-	-	-	-	-	577,559
<b>Federal Government:</b>								
Community development block grants	-	-	-	92,603	-	92,603	-	-
School fund grants	-	-	-	-	-	-	2,346,408	-
<b>Hopewell Economic Development Authority</b>								
	-	-	400,000	-	-	400,000	-	-
<b>Total due from other governments</b>	<b>\$ 849,231</b>	<b>\$ 386,730</b>	<b>\$ 400,000</b>	<b>\$ 92,603</b>	<b>\$ 397,071</b>	<b>\$ 2,125,635</b>	<b>\$ 3,088,986</b>	<b>\$ 577,559</b>



**Note 4—Interfund Obligations**

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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, 2017 the due to and from funds are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 3,159,335
General Fund	Virginia Public Assistance Fund	307,123
General Fund	HRWTF	27,500
General Fund	Other Governmental Funds - CDBG	19,831
		\$ 3,513,789

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, 2017**

**Note 5—Capital Assets**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2017</u>
Government Activities:				
Capital assets not subject to depreciation:				
Land	\$ 7,166,135	\$ 34,479	\$ -	\$ 7,200,614
Work in progress	5,590,879	1,161,911	(2,406,049)	4,346,741
Total capital assets not subject to depreciation	<u>12,757,014</u>	<u>1,196,390</u>	<u>(2,406,049)</u>	<u>11,547,355</u>
Capital assets subject to depreciation:				
Buildings, improvements, and infrastructure	45,407,255	3,079,919	(76,440)	48,410,734
Machinery and equipment	11,926,812	3,564,989	(124,855)	15,366,946
Jointly-ow ned assets	32,641,215	-	(4,785,837)	27,855,378
Total capital assets being depreciated	<u>89,975,282</u>	<u>6,644,908</u>	<u>(4,987,132)</u>	<u>91,633,058</u>
Less accumulated depreciation for:				
Buildings, improvements, and infrastructure	(18,698,492)	(1,518,041)	10,898	(20,205,635)
Machinery and equipment	(8,265,242)	(1,105,665)	125,822	(9,245,085)
Jointly-ow ned assets	(8,409,375)	(943,088)	3,597,285	(5,755,178)
Total accumulated depreciation	<u>(35,373,109)</u>	<u>(3,566,794)</u>	<u>3,734,005</u>	<u>(35,205,898)</u>
Total capital assets being depreciated, net	<u>54,602,173</u>	<u>3,078,114</u>	<u>(1,253,127)</u>	<u>56,427,160</u>
Capital assets, net	<u>\$ 67,359,187</u>	<u>\$ 4,274,504</u>	<u>\$ (3,659,176)</u>	<u>\$ 67,974,515</u>

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

<b>Component Unit - School Board</b>	<b>Balance July 1, 2016</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2017</b>
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	63,373,603	621,724	-	63,995,327
Machinery and equipment	8,019,427	495,051	(163,791)	8,350,687
Jointly-owned assets	(32,641,215)	-	4,785,837	(27,855,378)
Total capital assets being depreciated	<u>38,751,815</u>	<u>1,116,775</u>	<u>4,622,046</u>	<u>44,490,636</u>
Less accumulated depreciation for:				
Buildings and improvements	(18,753,838)	(1,364,342)	-	(20,118,180)
Machinery and equipment	(3,946,878)	(503,277)	103,566	(4,346,589)
Jointly-owned assets	8,409,375	943,088	(3,597,285)	5,755,178
Total accumulated depreciation	<u>(14,291,341)</u>	<u>(924,531)</u>	<u>(3,493,719)</u>	<u>(18,709,591)</u>
Total capital assets being depreciated, net	<u>24,460,474</u>	<u>192,244</u>	<u>1,128,327</u>	<u>25,781,045</u>
Capital assets, net	<u>\$ 24,935,103</u>	<u>\$ 192,244</u>	<u>\$ 1,128,327</u>	<u>\$ 26,255,674</u>

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

General government administration	\$ 513,525
Judicial administration	295,884
Public safety	640,810
Public works	889,539
Health and welfare	122,627
Education	943,088
Parks, recreation, and cultural	161,321
Total governmental activities	<u>\$ 3,566,794</u>

Component Unit: School Board \$ 1,867,619

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, 2017, is School-financed assets in the amount of \$22,100,200 being reported by the Primary Government for financial reporting purposes.

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

A summary of changes in proprietary fund capital assets for the year ended June 30, 2017 follows:

<b>HRWTF</b>	<b>Balance July 1, 2016</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2017</b>
Capital assets not subject to depreciation:				
Land	\$ 216,026	\$ -	\$ -	\$ 216,026
Construction in progress	65,321,054	11,883,085	(3,293,166)	73,910,973
Total capital assets not subject to depreciation	<u>65,537,080</u>	<u>11,883,085</u>	<u>(3,293,166)</u>	<u>74,126,999</u>
Capital assets subject to depreciation:				
Utility plant in service	10,849,392	3,323,680	-	14,173,072
Machinery and equipment	53,924,058	481,712	-	54,405,770
Total capital assets being depreciated	<u>64,773,450</u>	<u>3,805,392</u>	<u>-</u>	<u>68,578,842</u>
Less accumulated depreciation for:				
Utility plant in service	(9,280,705)	(95,274)	-	(9,375,979)
Machinery and equipment	(52,752,267)	(680,868)	-	(53,433,135)
Total accumulated depreciation	<u>(62,032,972)</u>	<u>(776,142)</u>	<u>-</u>	<u>(62,809,114)</u>
Total capital assets being depreciated, net HRWTF Fund capital assets, net	<u>2,740,478</u>	<u>3,029,250</u>	<u>-</u>	<u>5,769,728</u>
	<u>\$ 68,277,558</u>	<u>\$ 14,912,335</u>	<u>\$ (3,293,166)</u>	<u>\$ 79,896,727</u>

<b>Sewer Service Fund</b>	<b>Balance July 1, 2016</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2017</b>
Capital assets not subject to depreciation:				
Land	\$ 97,920	\$ -	\$ -	\$ 97,920
Work in progress	114,916	46,536	-	161,452
Total capital assets not subject to depreciation	<u>212,836</u>	<u>46,536</u>	<u>-</u>	<u>259,372</u>
Capital assets subject to depreciation:				
Utility plant in service	501,878	-	-	501,878
Machinery and equipment	1,354,433	44,783	(215,844)	1,183,372
Sewer main improvements	37,644,234	527,970	-	38,172,204
Total capital assets being depreciated	<u>39,500,545</u>	<u>572,759</u>	<u>(215,844)</u>	<u>39,857,454</u>
Less accumulated depreciation for:				
Utility plant in service	(496,728)	(2,575)	-	(499,303)
Machinery and equipment	(859,817)	(73,984)	215,844	(717,957)
Sewer main improvements	(8,387,587)	(1,509,938)	-	(9,897,525)
Total accumulated depreciation	<u>(9,744,132)</u>	<u>(1,586,497)</u>	<u>215,844</u>	<u>(11,114,785)</u>
Total capital assets being depreciated, net	<u>29,756,413</u>	<u>(1,013,738)</u>	<u>-</u>	<u>28,742,669</u>
Sewer Service Fund, net	<u>\$ 29,969,249</u>	<u>\$ (967,202)</u>	<u>\$ -</u>	<u>\$ 29,002,041</u>

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

<b>Solid Waste Fund</b>	<b>Balance July 1, 2016</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2017</b>
Capital assets subject to depreciation:				
Machinery and equipment	\$ 51,075	\$ -	\$ -	\$ 51,075
Less accumulated depreciation for:				
Machinery and equipment	(30,134)	(9,695)	-	(39,829)
Solid Waste Fund capital assets, net	<u>\$ 20,941</u>	<u>\$ (9,695)</u>	<u>\$ -</u>	<u>\$ 11,246</u>

<b>Stormwater Fund</b>	<b>Balance July 1, 2016</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2017</b>
Capital assets not subject to depreciation:				
Land	\$ -	\$ 108,710	\$ -	\$ 108,710
Work in progress	225,305	259,954	-	485,259
Total capital assets not subject to depreciation	<u>225,305</u>	<u>368,664</u>	<u>-</u>	<u>593,969</u>
Capital assets subject to depreciation:				
Machinery and equipment	20,090	77,846	-	97,936
Stormwater improvements	30,155	124,708	-	154,863
Total capital assets being depreciated	<u>50,245</u>	<u>202,554</u>	<u>-</u>	<u>252,799</u>
Less accumulated depreciation for:				
Machinery and equipment	(2,343)	(7,656)	-	(9,999)
Stormwater improvements	(126)	(4,941)	-	(5,067)
Total accumulated depreciation	<u>(2,469)</u>	<u>(12,597)</u>	<u>-</u>	<u>(15,066)</u>
Total capital assets being depreciated, net	<u>47,776</u>	<u>189,957</u>	<u>-</u>	<u>237,733</u>
Stormwater Fund capital assets, net	<u>\$ 273,081</u>	<u>\$ 558,621</u>	<u>\$ -</u>	<u>\$ 831,702</u>

<b>Beacon Theatre Fund</b>	<b>Balance July 1, 2016</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2017</b>
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	375,502	-	-	375,502
Total capital assets being depreciated	<u>6,037,353</u>	<u>-</u>	<u>-</u>	<u>6,037,353</u>
Less accumulated depreciation for:				
Buildings	(429,287)	(150,263)	-	(579,550)
Machinery and equipment	(143,804)	(50,088)	-	(193,892)
Total accumulated depreciation	<u>(573,091)</u>	<u>(200,350)</u>	<u>-</u>	<u>(773,441)</u>
Total capital assets being depreciated, net	<u>5,464,262</u>	<u>(200,350)</u>	<u>-</u>	<u>5,263,912</u>
Beacon Theatre Fund capital assets, net	<u>\$ 5,748,735</u>	<u>\$ (200,350)</u>	<u>\$ -</u>	<u>\$ 5,548,385</u>

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**Note 6—Interfund Transfers**

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Interfund transfer for the year ended June 30, 2017 consisted of the following:

Transfer Out	Transfer in	Purpose	Amount
General Fund	Virginia Public Assistance Fund	Local Share	\$ 507,876
General Fund	Recreation Fund	Budgetary Transfer	1,328,400
General Fund	Capital Projects Fund	Budgetary Transfer	3,345,314
Total			\$5,181,590

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, 2017**

**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, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Governmental Obligations:					
Incurred by City:					
General obligation bonds	\$ 35,732,412	\$ -	\$ (911,811)	\$ 34,820,601	\$ 1,081,466
Issuance premiums, net	65,154	-	(33,226)	31,928	-
Capital Leases	1,280,852	-	(139,061)	1,141,791	141,254
Claims, judgments, and compensated absences payable	836,129	76,629	-	912,758	91,276
Landfill closure liability	597,960	55,539	(47,765)	605,734	-
OPEB liability	6,377,495	789,352	-	7,166,847	-
Net pension liability *	15,947,580	4,362,302	-	20,309,882	-
<b>Total incurred by City</b>	<b>60,837,582</b>	<b>5,283,822</b>	<b>(1,131,863)</b>	<b>64,989,541</b>	<b>1,313,996</b>
Incurred for School Board:					
State Literary Loans payable	2,073,400	-	(474,200)	1,599,200	474,200
General obligation bonds	22,158,440	-	(1,657,440)	20,501,000	1,549,785
<b>Total incurred for School Board</b>	<b>24,231,840</b>	<b>-</b>	<b>(2,131,640)</b>	<b>22,100,200</b>	<b>2,023,985</b>
<b>Total Governmental Obligations</b>	<b>\$ 85,069,422</b>	<b>\$ 5,283,822</b>	<b>\$ (3,263,503)</b>	<b>\$ 87,089,741</b>	<b>\$ 3,337,981</b>
Enterprise Obligations:					
Revenue bonds payable	\$ 37,130,000	\$ -	\$ (1,405,000)	\$ 35,725,000	\$ 1,440,000
Issuance premium	626,155	-	(25,142)	601,013	-
Claims, judgments, and compensated absences payable	204,859	-	(8,895)	195,964	11,652
OPEB liability	1,340,284	171,158	-	1,511,442	-
Net pension liability *	3,435,334	968,551	-	4,403,885	-
<b>Total Enterprise Obligations</b>	<b>\$ 42,736,632</b>	<b>\$ 1,139,709</b>	<b>\$ (1,439,037)</b>	<b>\$ 42,437,304</b>	<b>\$ 1,451,652</b>

\* 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, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Claims, judgments and compensated absences payable	\$ 922,392	\$ 77,230	\$ (100,000)	\$ 899,622	\$ 89,962
OPEB liability	1,358,741	134,312	-	1,493,053	-
Net pension liability *	40,756,416	3,352,798	-	44,109,214	-
Note payable to the City	1,495,273	-	(115,591)	1,379,682	120,897
	<b>\$ 44,532,822</b>	<b>\$ 3,564,340</b>	<b>\$ (215,591)</b>	<b>\$ 47,881,571</b>	<b>\$ 210,859</b>

Amounts are payable from the School Operating Fund.

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

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

Year Ending June 30	<u>Incurred For City Obligations</u>	
	<u>General Obligation</u>	
	<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
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	1,799,476	921,504
2023-2027	10,361,115	3,589,253
2028-2032	10,372,647	1,906,246
2033-2037	5,984,186	475,374
2038	940,000	23,626
	<u>\$ 34,820,601</u>	<u>\$ 11,174,964</u>

Year Ending June 30	<u>Incurred For School Obligations</u>			
	<u>State Literary</u>		<u>General Obligation</u>	
	<u>Fund Loans</u>		<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 474,200	\$ 31,984	\$ 1,549,785	\$ 1,047,329
2019	375,000	22,500	1,560,088	1,016,971
2020	375,000	15,000	1,675,870	985,723
2021	375,000	7,500	1,730,499	952,095
2022	-	-	1,895,792	914,751
2023-2027	-	-	7,774,278	4,204,692
2028-2032	-	-	2,573,875	599,691
2033-2037	-	-	1,740,814	147,153
Total	<u>\$ 1,599,200</u>	<u>\$ 76,984</u>	<u>\$ 20,501,000</u>	<u>\$ 9,868,405</u>

Year Ending June 30	<u>Revenue</u>	
	<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
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	1,363,064
2022	1,580,000	1,318,686
2023-2027	6,360,000	5,886,073
2028-2032	5,045,000	4,692,640
2033-2037	6,415,000	3,319,106
2038-2042	8,170,000	1,552,544
2043-2045	2,225,000	89,430
Total	<u>\$ 35,725,000</u>	<u>\$ 22,532,377</u>



**CITY OF HOPEWELL, VIRGINIA**  
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**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, 2017, the equipment had not been placed in service.

Year Ending June 30,	Governmental Activities
2018	\$ 162,144
2019	162,414
2020	162,415
2021	162,414
2022	322,391
2023	250,217
Total minimum lease payments	1,221,995
less amounts representing interest	(80,204)
Present value of minimum lease payments	\$ 1,141,791

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**Primary Government : (Continued)**

Details of long-term indebtedness are as follow s:

**General Obligations:**

**Incurred for City:**

**General Obligation Bonds:**

annual installments through July 15, 2023; interest payable semi-annual at various rates from 3.75%-5.00%.	\$ 2,305,000
\$4,480,000 general obligation public improvement bond, Series 2008B, principal payable in various annual installments through July 15, 2034; interest payable semi-annually at various rates from 6.15 %-6.38%	3,415,000
\$5,000,000 general obligation payable Series 2009A, principal payable in annual installments through July 15, 2033; interest payable semi-annually at various interest rates from 4.00% to 5.00%.	1,037,500
\$2,155,000 general obligation payable Series 2009B, principal payable in various annual installments through July 15, 2019; interest payable semi-annually at rates from 4.00%- 5.00%.	2,070,000
\$2,380,000 general obligation payable Series 2011, principal payable in various annual installments through May 1, 2022; interest payable semi-annually at various rates from 2.50%-3.50%.	420,000
\$2,265,000 general obligation payable Series 2013A, principal payable in various annual installments through July 15, 2028; interest payable semi-annually at 2.10%.	2,265,000
\$895,000 general obligation payable Series 2013B, principal payable in various annual installments through July 15, 2028; interest payable semi-annually at 3.63%.	895,000
\$7,700,000 general obligation payable Series 2013C, principal payable in various annual installments through July 15, 2038 interest payable semi-annually at 2.50%.	7,660,000
\$2,500,000 general obligation payable Series 2015A, principal payable in various annual installments through January 15, 2030; interest payable semi-annually at 2.275%.	2,201,176
\$12,955,075 general obligation payable Series 2015B, principal payable in various annual installments through July 15, 2034; interest payable semi-annually at 2.87%.	12,551,925
	34,820,601
Total General Obligation Bonds	34,820,601
Issuance premium	31,928
Capital Leases	1,141,791
Landfill closure liability (payable from the General Fund)	605,734
Compensated absences (payable from the General Fund)	912,758
OPEB liability (payable from the General Fund)	7,166,847
Net pension liability (payable from the General Fund)	20,309,882
	\$ 64,989,541
Total Incurred for City	\$ 64,989,541

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**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 October 1, 2017; interest payable annually at 2%.	\$ 10,450
\$939,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of \$46,950 through October 1, 2017; interest payable annually at 2%.	46,950
\$239,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of \$11,950 through October 1, 2017; interest payable annually at 2%.	11,950
\$597,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of \$29,850 through October 1, 2017; interest payable annually at 2%.	29,850
\$7,500,000 State Literary Fund Loan issued May 15, 2001, due in annual principal installments of \$375,000 through January 15, 2021; interest payable annually at 2%.	1,500,000
Total State Literary Fund Loans	1,599,200

Virginia Public School Authority (VPSA) Subsidy and Other Bonds:

\$4,862,705 VPSA Subsidy Bonds issued 2001, principal due in annual installments of varying amounts through July 15, 2021; interest payable annually at varying rates 3.10% - 5.10%.	1,442,527
\$858,896 VPSA Subsidy Bonds issued in 2005, principal due in annual installments of varying amounts through July 15, 2025; interest payable annually at varying rates 4.60% - 5.10%.	439,563
\$2,800,000 General Obligation Qualified Zone Academy Bond issued in 2009, principal due in annual installments of \$186,667 through December 15, 2024; interest payable annually at 1.83%.	1,037,500
\$7,635,000 VPSA Subsidy Bonds issued 2010, principal due in annual installments of varying amounts through June 1, 2027; interest payable semi-annually at 0.092%.	5,650,000
\$5,000,000 general obligation payable Series 2009A, principal due in various annual installments through July 15, 2022; interest payable semi-annually at various from 4.00% to 5.00%.	1,493,333
\$5,000,000 VPSA Subsidy Bonds issued 2011, principal due in annual installments of varying amounts through June 1, 2027; interest payable semi-annually at 4.50%.	4,100,002
\$2,700,000 General Obligation issued in 2011, principal due in annual installments of varying amounts through May 1 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%.	3,638,075
Total Virginia Public Authority School Subsidy and Other Bonds	20,501,000
Total Incurred for School Board	\$ 22,100,200

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

**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. Principal payable in various annual installments through October 1, 2025; interest payable semi-annually at 1.25% - 3.37%.	\$ 5,445,000
\$5,675,000 Series 2014, revenue bond, principal payable in various annual installments through October 1, 2044; interest payable semi-annually at 2.13% - 4.13%.	4,950,000
\$2,790,000 revenue bond issued August 1, 2012, principal payable in various annual installments through October 1, 2021; interest payable semi-annually at varying rates 2.14% - 2.38%.	1,530,000
\$18,210,000 Sewer System bond issued December 7, 2011, principal payable in various annual installments through July 15, 2042; interest payable semi-annually at 2.50% - 6.00%.	17,835,000
\$3,385,000 Sewer System bond issued December 7, 2011, principal payable in various annual installments through July 15, 2022; interest payable semi-annually at 2.63% - 3.75%.	2,135,000
\$4,160,000 Sewer System revenue bond issued December 2, 2010, payable in various annual installments through July 15, 2041; interest payable semi-annually at 2.50% - 5.13%.	<u>3,830,000</u>
Total Revenue Bond Obligations	35,725,000
Issuance premium	601,013
Compensated absences (Payable from the Enterprise Funds)	195,964
OPEB liability (Payable from the Enterprise Funds)	1,511,442
Net pension liability (Payable from the Enterprise Funds)	<u>4,403,885</u>
Total Enterprise Obligations	<u><u>\$ 42,437,304</u></u>

**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, 2017, \$1,379,682 of the loan was still outstanding.

**Note 9—Landfill Post-Closure Costs**

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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 \$605,734. 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**

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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 and unavailable revenues reported in governmental funds were comprised of the following:

Tax Type	Unavailable Revenue	Unearned Revenue	Total
General Fund			
Real Estate Tax	\$ 1,655,280	\$ 7,299,365	\$ 8,954,645
Personal Property	1,411,430	-	1,411,430
Personal Service Corporations	212	-	212
Machinery & Tools Tax	1,220,256	4,036,846	5,257,102
	<b>\$ 4,287,178</b>	<b>\$ 11,336,211</b>	<b>\$ 15,623,389</b>

**Note 11—Commitments, Contingencies, and Subsequent Event**

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Federal programs in which the City and all discretely presented component units participate are 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.

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**

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At June 30, 2017, 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**

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**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 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.

**CITY OF HOPEWELL, VIRGINIA**  
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<b>VRS PLAN 1</b>	<b>VRS PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<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"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<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><u>Hybrid Opt-In Election</u>            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>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 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><u>Hybrid Opt-In Election</u>            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>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 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"> <li>• School division employees</li> <li>• 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.</li> </ul>

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
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<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>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>  <b>Defined Benefit Component:</b>  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> <p><b>Defined Contribution Component:</b>  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>  <b>Defined Benefit Component:</b>  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><b>Defined Contributions Component:</b>  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"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
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**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
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<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:  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><u>Earliest Unreduced Retirement Eligibility</u>  Age 65 with at least five years (60 months) of creditable service or at</p>	<p><u>Earliest Unreduced Retirement Eligibility</u>  Normal Social Security retirement age with at least five years (60</p>	<p><u>Earliest Unreduced Retirement Eligibility</u>  Defined Benefit Component:  Normal Social Security retirement age and have at least</p>

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
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<p>age 50 with at least 30 years of creditable service.</p>	<p>months) of creditable service or when their age and service equal 90.</p>	<p>five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><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.</p>	<p><u>Earliest Reduced Retirement Eligibility</u> Age 60 with at least five years (60 months) of creditable service.</p>	<p><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.</p>
<p><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%.</p> <p><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.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</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"> <li>• The member is within five years of qualifying for an unreduced</li> </ul>	<p><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%.</p> <p><u>Eligibility:</u> Same as Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Cost-of-Living Adjustment (COLA) in Retirement</u> Defined Benefit Component: Same as Plan 2.</p> <p>Defined Contribution Component: Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

**CITY OF HOPEWELL, VIRGINIA**  
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<p>retirement benefit as of January 1, 2013.</p> <ul style="list-style-type: none"> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>		
<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 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</p>	<p><u>Purchase of Prior Service</u>  Same as Plan 1.</p>	<p><u>Purchase of Prior Service Defined Benefit Component:</u>  Same as VRS Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the highest of 4% of creditable compensation or average final compensation.</li> </ul>

<p>purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>		<ul style="list-style-type: none"> <li>• 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.</li> </ul> <p>Defined Contribution  Component: Not applicable.</p>
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**B. Employees Covered by Benefit Terms**

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<b>Schools -</b>	
	<b>City</b>	<b>Nonprofessional</b>
Inactive members:		
Receiving benefits	292	65
Vested inactive members	43	7
Non-vested inactive members	78	33
Active elsewhere in VRS	168	19
Total inactive members	581	124
Active Members	347	97
Total covered employees	928	221

**C. Contributions**

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

***VRS Retirement Plan***

The City's contractually required contribution rate for the year ended June 30, 2017 was 13.98% of covered employee compensation. The School Board's non-professional plan contractually required contribution rate for the year ended June 30, 2017 was 13.98% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarial rate for the City's plan and the School Board's non-professional plan were 13.98% 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 \$2,423,732 and \$2,009,066 for the years ended June 30, 2017 and June 30, 2016, respectively, and contributions to the pension plan from the School Board's non-professional plan were \$178,358 and \$210,721 for the years ended June 30, 2017 and June 30, 2016, respectively.

***VRS Teacher Retirement Plan***

The School Board's professional plan contractually required contribution rate for the year ended June 30, 2017 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium . 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 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the school division were \$3,618,621 and \$3,303,324 for the years ended June 30, 2017 and June 30, 2016, 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, 2016. The Total Pension Liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

***VRS Teacher Retirement Plan***

At June 30, 2017, the School Board professional plan reported a liability of \$42,498,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. There were no changes in assumptions or benefit terms since the prior measurement period. There were no changes between the measurement date of the collective net pension liability and the School Board's reporting date. The School Board's proportion of the Net Pension Liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion was .30325 % as compared to .31187% at June 30, 2016.

**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, 2015, using the Entry Age Normal actuarial cost method and the following assumptions,

**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
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applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

	<b>VRS General Employees</b>	<b>VRS Public Safety Employees</b>	<b>VRS School Board Teacher Retirement Plan Employees</b>
• 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.
- 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, 2015 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>VRS Plans Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Rate of Return</b>
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)%
<b>Total</b>	<b>100.00%</b>		<b>5.83%</b>
Inflation			2.50%
** Expected arithmetic nominal return			<b>8.33%</b>

\*\* 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.

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**H. Changes in Net Pension Liability**

	City		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balance at July 1, 2015</b>	<b>\$ 104,921,903</b>	<b>\$ 85,538,989</b>	<b>\$ 19,382,914</b>
Changes for the Year:			
Service cost	1,974,094	-	1,974,094
Interest	7,121,892	-	7,121,892
Difference between expected and actual experience	475,274	-	475,274
Contributions - employer	-	2,060,903	(2,060,903)
Contributions - employee	-	831,516	(831,516)
Net investment income	-	1,403,075	(1,403,075)
Benefit payments including refunds of employee contributions	(6,361,167)	(6,361,167)	-
Administrative expense	-	(54,474)	54,474
Other changes	-	(613)	613
Net Changes	3,210,093	(2,120,760)	5,330,853
<b>Balances at June 30, 2016</b>	<b>\$ 108,131,996</b>	<b>\$ 83,418,229</b>	<b>\$ 24,713,767</b>

	School Board - Nonprofessional		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balance at July 1, 2015</b>	<b>\$ 8,124,686</b>	<b>\$ 6,621,270</b>	<b>\$ 1,503,416</b>
Changes for the Year:			
Service cost	204,573	-	204,573
Interest	545,104	-	545,104
Difference between expected and actual experience	(240,879)	-	(240,879)
Contributions - employer	-	210,896	(210,896)
Contributions - employee	-	86,708	(86,708)
Net investment income	-	107,664	(107,664)
Benefit payments including refunds of employee contributions	(674,980)	(674,980)	-
Administrative expense	-	(4,221)	4,221
Other changes	-	(47)	47
Net Changes	(166,182)	(273,980)	107,798
<b>Balances at June 30, 2016</b>	<b>\$ 7,958,504</b>	<b>\$ 6,347,290</b>	<b>\$ 1,611,214</b>

**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	\$ 37,733,873	\$ 24,713,767	\$ 13,810,331
School Board – Nonprofessional Net Pension Liability	\$ 2,434,429	\$ 1,611,214	\$ 909,526
School Board – Professional Net Pension Liability	\$ 60,581,000	\$ 42,498,000	\$ 27,602,000

**CITY OF HOPEWELL, VIRGINIA**  
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**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, 2017, the City and School Board nonprofessional plan recognized pension expense of \$2,624,476 and \$158,732, respectively. At June 30, 2017, 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	\$ 376,530	\$ -
Net difference between projected and actual earnings on pension plan investments.	2,166,414	-
Difference in proportion	144,093	144,093
Employer contributions subsequent to the measurement date	2,423,732	-
<b>Total</b>	<b>\$ 5,110,769</b>	<b>\$ 144,093</b>

	School Board - Nonprofessional	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 20,598	\$ 163,921
Net difference between projected and actual earnings on pension plan investments.	164,659	-
Employer contributions subsequent to the measurement date	178,358	-
<b>Total</b>	<b>\$ 363,615</b>	<b>\$ 163,921</b>

\$2,423,732 and \$178,358 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
2018	\$ 169,314	\$ (58,582)
2019	138,790	(79,182)
2020	1,342,576	90,605
2021	892,264	68,495
2022	-	-
	<b>\$ 2,542,944</b>	<b>\$ 21,336</b>

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**VRS Teacher Retirement Plan**

For the year ended June 30, 2017, the School Board professional plan recognized pension expense of \$3,203,000. At June 30, 2017, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>School Board - Professional</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Change in assumptions	\$ -	\$ -
Difference between expected and actual experience	-	1,377,000
Net difference between projected and actual earnings on pension plan investments.	2,428,000	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	1,553,000
Employer contributions subsequent to the measurement date	3,618,621	-
<b>Total</b>	<b>\$ 6,046,621</b>	<b>\$ 2,930,000</b>

\$3,618,621 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>
2018	\$ (736,000)
2019	(736,000)
2020	704,000
2021	449,000
2022	(183,000)
	<b>\$ (502,000)</b>

**K. Pension Plan Fiduciary Net Position**

Detailed information about the VRS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Note 14—Surety Bonds**

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

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

VSBA – Surety (\$10,000): 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**

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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 style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>Years of Service</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><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%												
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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 style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;"><u>Years of Service</u></th> <th style="text-align: left; border-bottom: 1px solid black;"><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												

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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:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Annual Required Contribution	\$ 1,557,000	\$ 282,700
Interest on Net OPEB obligation	270,122	47,556
Adjustment to annual required contribution	(285,381)	(50,242)
Annual OPEB cost (expense)	1,541,741	280,014
Contributions made	(581,231)	(145,702)
Increase in net OPEB obligation	960,510	134,312
Net OPEB obligation - beginning of year	7,717,779	1,358,741
Net OPEB obligation - end of year	<u>\$ 8,678,289</u>	<u>\$ 1,493,053</u>

**CITY OF HOPEWELL, VIRGINIA**  
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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, 2017	\$ 1,541,741	37.70%	\$ 8,678,289
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, 2017	\$ 280,014	52.03%	\$ 1,493,053
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, 2017, 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, 2017, 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 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.



**CITY OF HOPEWELL, VIRGINIA**  
**Notes to Financial Statements**  
**June 30, 2017**

- *Investment Rate of Return* - Based on the historical and expected returns of the City and School Board’s short-term investment portfolio, a discount of 3.50% was used. In addition, the projected unit credit actuarial cost method was used.
- *Other Assumptions* include:
  - Payroll increases of 3.00% per year.
  - Health Care Cost Trend of:
    - Pre-65: 5.20% in 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 2017 where activities in the previous fiscal years were inaccurately recorded in the general ledger and issued financial statements as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		
<b>Government-wide</b>				
Net position, June 30, 2016, previously reported	\$ 14,466,983	\$ 98,192,031		
Prior period error-expenditures cutoff	22,041	-		
Prior year receivable		(985,051)		
Balance ,as restated, June 30,2016	\$ 14,489,024	\$ 97,206,980		
 <b>Proprietary Funds</b>	<b>HRWTF</b>	<b>Sewer Service</b>	<b>Solid Waste</b>	<b>Storm Water</b>
Net position, June 30, 2016, previously reported	\$ 63,377,651	\$ 26,284,666	\$ 1,741,223	\$ 1,078,268
Prior year receivable correction	(1,329,573)	232,521	85,999	26,002
Balance, as restated, June 30,2016	\$ 62,048,078	\$ 26,517,187	\$ 1,827,222	\$ 1,104,270
 <b>Governmental Funds</b>				
	<b>General Fund</b>			
Fund Balance, June 30, 2016, previously reported	\$ 14,571,040			
Prior period error-expenditure cutoff	22,041			
Balance ,as restated, June 30,2016	\$ 14,593,081			

**Note 17 —Tax Abatements**

The City negotiates performance incentive agreements on an individual basis with private entities to stimulate investments and job creation:

	Percentage of Taxes Abated during FY2017	Amount of Taxes Abated during FY2017
Purpose		
Performance incentive to locate and expand in the City	30%	\$ 342,432

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## **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, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 31,247,641	\$ 31,247,641	\$ 28,478,608	\$ (2,769,033)
Other local taxes	5,937,100	5,937,100	6,005,644	68,544
Permits, privilege fees, and regulatory licenses	166,500	166,500	116,070	(50,430)
Fines and forfeitures	1,651,000	1,651,000	1,624,267	(26,733)
Revenues from use of money and property	51,000	51,000	65,169	14,169
Charges for services	668,200	668,200	579,526	(88,674)
Miscellaneous	1,294,000	1,294,000	1,209,461	(84,539)
Recovered costs	-	-	884,500	884,500
Intergovernmental revenues:				
Commonwealth	6,529,177	6,576,174	8,771,131	2,194,957
Federal	154,500	166,949	194,150	27,201
Total revenues	<u>47,699,118</u>	<u>47,758,564</u>	<u>47,928,526</u>	<u>169,962</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	4,973,331	5,398,942	5,001,250	397,692
Judicial administration	2,761,844	2,761,844	2,452,889	308,955
Public safety	14,364,354	14,726,657	14,442,125	284,532
Public works	4,774,179	4,801,600	4,668,843	132,757
Health and welfare	950,278	956,622	1,226,807	(270,185)
Education	13,749,500	13,749,500	12,114,545	1,634,955
Parks, recreation, and cultural	601,630	601,630	618,661	(17,031)
Community development	872,067	872,341	866,079	6,262
Nondepartmental	2,026,636	2,280,275	1,903,189	377,086
Total expenditures	<u>45,073,819</u>	<u>46,149,411</u>	<u>43,294,388</u>	<u>2,855,023</u>
Excess of revenues over expenditures	2,625,299	1,609,153	4,634,138	3,024,985
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	502,000	502,000	-	(502,000)
Operating transfers out	(4,891,540)	(5,265,414)	(5,181,590)	83,824
Total other financing sources (uses),net	<u>(4,389,540)</u>	<u>(4,763,414)</u>	<u>(5,181,590)</u>	<u>(418,176)</u>
Net change in fund balances	(1,764,241)	(3,154,261)	(547,452)	2,606,809
Fund balances - beginning-as restated(Note 16)	-	-	14,593,081	14,593,081
Fund balances - ending	<u>\$ (1,764,241)</u>	<u>\$ (3,154,261)</u>	<u>\$ 14,045,629</u>	<u>\$ 17,199,890</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, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues:				
Commonwealth	\$ 1,163,100	\$ 1,163,100	\$ 1,323,505	\$ 160,405
Federal	2,455,972	2,455,972	2,589,266	133,294
Revenues from use of money and property	-	-	1	1
Miscellaneous	-	-	80,610	80,610
Total revenues	<u>3,619,072</u>	<u>3,619,072</u>	<u>3,993,382</u>	<u>374,310</u>
<b>EXPENDITURES</b>				
Current -				
Health and welfare				
Welfare and social Services:				
Welfare administration	1,216,085	1,216,491	1,383,322	(166,831)
Public assistance	2,994,687	2,995,359	3,117,936	(122,577)
Total expenditures	<u>4,210,772</u>	<u>4,211,850</u>	<u>4,501,258</u>	<u>(289,408)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(591,700)</u>	<u>(592,778)</u>	<u>(507,876)</u>	<u>84,902</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	591,700	591,700	507,876	(83,824)
Total other financing sources	<u>591,700</u>	<u>591,700</u>	<u>507,876</u>	<u>(83,824)</u>
Net change in fund balances	-	(1,078)	-	1,078
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ (1,078)</u>	<u>\$ -</u>	<u>\$ 1,078</u>

**City of Hopewell, Virginia**  
**Schedule of Changes in City's Net Pension Liability and Related Ratios**

	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 1,974,094	\$ 1,881,386	\$ 1,860,421
Interest	7,121,892	6,920,166	6,707,497
Difference between expected and actual experience	475,274	120,211	-
Benefit payments, including refunds of employee contributions	(6,361,167)	(5,718,746)	(5,340,826)
Net change in total pension liability	3,210,093	3,203,017	3,227,092
Plan total pension liability - beginning	104,921,903	101,718,886	98,491,794
Plan total pension liability - ending	<u>\$ 108,131,996</u>	<u>\$ 104,921,903</u>	<u>\$ 101,718,886</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 2,060,903	\$ 2,023,775	\$ 1,649,427
Contributions - employee	831,516	844,447	799,011
Net investment income	1,403,075	3,794,786	11,756,144
Benefit payments, including refunds of employee contributions	(6,361,167)	(5,718,746)	(5,340,826)
Administrative expense	(54,474)	(54,133)	(65,207)
Other	(613)	(798)	620
Net change in plan fiduciary net position	(2,120,760)	889,331	8,799,169
Plan fiduciary net position - beginning	85,538,989	84,649,658	75,850,489
Plan fiduciary net position - ending	<u>\$ 83,418,229</u>	<u>\$ 85,538,989</u>	<u>\$ 84,649,658</u>
Total net pension liability - ending	<u>\$ 24,713,767</u>	<u>\$ 19,382,914</u>	<u>\$ 17,069,228</u>
Plan fiduciary net position as a percentage of total pension liability	77.14%	81.53%	83.22%
Covered employee payroll	\$ 17,926,258	\$ 16,829,672	\$ 16,746,388
Net pension liability as a percentage of covered employee payroll	137.86%	115.17%	101.93%
<b>Employer Contributions</b>			
Contractually required contribution	\$ 2,423,732	\$ 2,009,066	\$ 2,023,774
Contributions in relation to contractually required contribution	2,423,732	2,009,066	2,023,774
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 17,926,258	\$ 16,829,672	\$ 16,746,388
Contributions as a percentage of covered employee payroll	13.52%	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**

	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 204,573	\$ 202,475	\$ 185,137
Interest	545,104	534,282	524,469
Difference between expected and actual experience	(240,879)	62,210	-
Benefit payments, including refunds of employee contributions	(674,980)	(613,765)	(525,083)
Net change in total pension liability	(166,182)	185,202	184,523
Plan total pension liability - beginning	8,124,686	7,939,484	7,754,961
Plan total pension liability - ending	<u>\$ 7,958,504</u>	<u>\$ 8,124,686</u>	<u>\$ 7,939,484</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 210,896	\$ 213,125	\$ 159,179
Contributions - employee	86,708	88,419	88,108
Net investment income	107,664	293,446	924,453
Benefit payments, including refunds of employee contributions	(674,980)	(613,765)	(525,083)
Administrative expense	(4,221)	(4,268)	(5,167)
Other	(47)	(60)	48
Net change in plan fiduciary net position	(273,980)	(23,103)	641,538
Plan fiduciary net position - beginning	6,621,270	6,644,373	6,002,835
Plan fiduciary net position - ending	<u>\$ 6,347,290</u>	<u>\$ 6,621,270</u>	<u>\$ 6,644,373</u>
Total net pension liability - ending	<u>\$ 1,611,214</u>	<u>\$ 1,503,416</u>	<u>\$ 1,295,111</u>
Plan fiduciary net position as a percentage of total pension liability	79.75%	81.50%	83.69%
Covered employee payroll	\$ 1,846,602	\$ 1,786,898	\$ 1,761,986
Net pension liability as a percentage of covered employee payroll	87.25%	84.14%	73.50%
<b>Employer Contributions</b>			
Contractually required contribution	\$ 178,358	\$ 210,721	\$ 213,125
Contributions in relation to contractually required contribution	178,358	210,721	213,125
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,846,602	\$ 1,786,898	\$ 1,761,986
Contributions as a percentage of covered employee payroll	9.66%	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**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Proportionate of the net pension liability	3.03250%	0.31187%	0.31383%
Proportionate share of the net pension liability	\$ 42,498,000	\$ 39,253,000	\$ 37,926,000
Covered employee payroll	\$ 24,622,272	\$ 23,121,517	\$ 22,938,444
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.94%	58.90%	60.48%
Plan fiduciary net position as a percentage of the total pension liability	68.28%	70.87%	70.88%

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

**Employer Contributions**

Contractually required contribution	\$ 3,618,621	\$ 3,303,324	\$ 3,362,153
Contributions in relation to contractually required contribution	3,618,621	3,303,324	3,362,153
Contribution excess	\$ -	\$ -	\$ -
Covered employee payroll	\$ 24,622,272	\$ 23,121,517	\$ 22,938,444
Contributions as a percentage of covered employee payroll	14.70%	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, 2017**

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, 2017**

**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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
<b>REVENUES</b>			
Other local taxes	\$ 2,572,500	\$ 2,728,000	\$ 155,500
Intergovernmental revenues:			
Commonwealth	912,000	863,097	(48,903)
Federal	-	636,999	636,999
Revenues from use of money and property	15,500	86,629	71,129
Miscellaneous	464,165	338,681	(125,484)
Total revenues	<u>3,964,165</u>	<u>4,653,406</u>	<u>689,241</u>
<b>EXPENDITURES</b>			
Community development	-	300,000	(300,000)
Capital projects	16,829,096	5,809,777	11,019,319
Debt service:			
Principal retirement	3,043,451	3,182,512	(139,061)
Interest and other fiscal charges	1,629,423	2,280,958	(651,535)
Total expenditures	<u>21,501,970</u>	<u>11,573,247</u>	<u>9,928,723</u>
Deficiency of revenues under expenditures	<u>(17,537,805)</u>	<u>(6,919,841)</u>	<u>10,617,964</u>
<b>OTHER FINANCING SOURCES</b>			
Operating transfers in	3,538,440	3,345,314	(193,126)
Total other financing sources	<u>3,538,440</u>	<u>3,345,314</u>	<u>(193,126)</u>
Net change in fund balances	(13,999,365)	(3,574,527)	10,424,838
Fund balances - beginning	-	13,926,173	13,926,173
Fund balances - ending	<u>\$ (13,999,365)</u>	<u>\$ 10,351,646</u>	<u>\$ 24,351,011</u>

**City of Hopewell, Virginia**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2017**

	Recreation Fund	Community Development Block Grant Fund	Anti-Litter Fund	Total
<b>Assets</b>				
Cash and investments	\$ 168,259	\$ -	\$ 19,376	\$ 187,635
Receivables, net of allowance for uncollectibles	1,722	-	2	1,724
Due from other governments	-	92,603	-	92,603
Total assets	<u>\$ 169,981</u>	<u>\$ 92,603</u>	<u>\$ 19,378</u>	<u>\$ 281,962</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 42,352	\$ 72,772	\$ 358	\$ 115,482
Accrued liabilities	34,909	-	-	34,909
Due to other funds	-	19,831	-	19,831
Total liabilities	<u>77,261</u>	<u>92,603</u>	<u>358</u>	<u>170,222</u>
Fund balances:				
Assigned	<u>92,720</u>	<u>-</u>	<u>19,020</u>	<u>111,740</u>
Total fund balances	<u>92,720</u>	<u>-</u>	<u>19,020</u>	<u>111,740</u>
Total liabilities and fund balances	<u>\$ 169,981</u>	<u>\$ 92,603</u>	<u>\$ 19,378</u>	<u>\$ 281,962</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, 2017**

	Recreation Fund	Community Development Block Grant Fund	Anti-Litter Fund	Total
<b>REVENUES</b>				
Revenues from use of money and property	\$ 21,285	\$ -	\$ 3	\$ 21,288
Charges for services	136,730	-	-	136,730
Miscellaneous	209,120	-	-	209,120
Intergovernmental revenues:				
Commonwealth	3,939	-	6,192	10,131
Federal	-	218,474	-	218,474
Total revenues	<u>371,074</u>	<u>218,474</u>	<u>6,195</u>	<u>595,743</u>
<b>EXPENDITURES</b>				
Current:				
Public works	-	-	1,651	1,651
Parks, recreation, and cultural	1,680,618	-	-	1,680,618
Community development	-	218,474	-	218,474
Total expenditures	<u>1,680,618</u>	<u>218,474</u>	<u>1,651</u>	<u>1,900,743</u>
Deficiency of revenues over (under) expenditures	<u>(1,309,544)</u>	<u>-</u>	<u>4,544</u>	<u>(1,305,000)</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	1,328,400	-	-	1,328,400
Total other financing sources	<u>1,328,400</u>	<u>-</u>	<u>-</u>	<u>1,328,400</u>
Net change in fund balances	18,856	-	4,544	23,400
Fund balance - beginning	73,864	-	14,476	88,340
Fund balance - ending	<u>\$ 92,720</u>	<u>\$ -</u>	<u>\$ 19,020</u>	<u>\$ 111,740</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, 2017**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Revenues from use of money and property	\$ 14,400	\$ 21,285	\$ 6,885
Charges for services	9,250	136,730	127,480
Miscellaneous	396,763	209,120	(187,643)
Intergovernmental revenues:			
Commonwealth	21,000	3,939	(17,061)
Federal	(5,000)	-	5,000
Total revenues	<u>436,413</u>	<u>371,074</u>	<u>(65,339)</u>
<b>EXPENDITURES</b>			
Current -			
Parks, recreation, and cultural	1,883,937	1,680,618	203,319
Total expenditures	<u>1,883,937</u>	<u>1,680,618</u>	<u>203,319</u>
Deficiency of revenues under expenditures	<u>(1,447,524)</u>	<u>(1,309,544)</u>	<u>137,980</u>
<b>OTHER FINANCING SOURCES</b>			
Operating transfers in	1,500,274	1,328,400	(171,874)
Operating transfers out	(202,000)	-	202,000
Total other financing sources	<u>1,298,274</u>	<u>1,328,400</u>	<u>30,126</u>
Net change in fund balances	(149,250)	18,856	168,106
Fund balances - beginning	-	73,864	73,864
Fund balances - ending	<u>\$ (149,250)</u>	<u>\$ 92,720</u>	<u>\$ 241,970</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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Intergovernmental revenues-			
Federal	\$ 180,729	\$ 218,474	\$ 37,745
Total revenues	<u>180,729</u>	<u>218,474</u>	<u>37,745</u>
<b>EXPENDITURES</b>			
Current -			
Community development	180,729	218,474	(37,745)
Total expenditures	<u>180,729</u>	<u>218,474</u>	<u>(37,745)</u>
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Revenues from use of money and property	\$ -	\$ 3	\$ 3
Intergovernmental revenues -			
Commonwealth	6,063	6,192	129
Total revenues	<u>6,063</u>	<u>6,195</u>	<u>132</u>
<b>EXPENDITURES</b>			
Current -			
Public works	6,063	1,651	4,412
Total expenditures	<u>6,063</u>	<u>1,651</u>	<u>4,412</u>
Net change in fund balances	-	4,544	4,544
Fund balances - beginning	-	14,476	14,476
Fund balances - ending	<u>\$ -</u>	<u>\$ 19,020</u>	<u>\$ 19,020</u>

**City of Hopewell, Virginia**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2017**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>Special Welfare Fund:</b>				
Assets -				
Cash and cash equivalents	\$ 51,138	\$ 29,655	\$ 27,122	\$ 53,671
Liabilities -				
Amounts held for social services clients	\$ 51,138	\$ 29,655	\$ 27,122	\$ 53,671
<b>Healthy Families Fund:</b>				
Assets -				
Cash and cash equivalents	\$ -	\$ 241,535	\$ 241,535	\$ -
Liabilities -				
Amounts held for Healthy Families Funds	\$ -	\$ 241,535	\$ 241,535	\$ -
<b>Police Evidence Fund</b>				
Assets -				
Cash and cash equivalents	\$ 39,525	\$ 52,935	\$ 37,003	\$ 55,457
Liabilities -				
Amounts held disposition	\$ 39,525	\$ 52,935	\$ 37,003	\$ 55,457
<b>Total Agency Funds:</b>				
Assets -				
Cash and cash equivalents	\$ 90,663	\$ 324,125	\$ 305,660	\$ 109,128
Liabilities -				
Amounts held for others	\$ 90,663	\$ 324,125	\$ 305,660	\$ 109,128

**City of Hopewell, Virginia**  
**Combining Balance Sheet**  
**Discretely Presented Component Unit - School Board**  
**June 30, 2017**

	<b>School Operating Fund</b>	<b>School Cafeteria Fund</b>	<b>Textbook Fund</b>	<b>Building and Bus Replacement Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,733,503	\$ 1,229,377	\$ 885,425	\$ -	\$ 10,848,305
Receivables, net of allowance for uncollectibles	6,990	24,690	-	-	31,680
Due from other funds	500,081	-	-	-	500,081
Due from other governmental units	2,960,888	128,098	-	-	3,088,986
Inventories	-	77,559	-	-	77,559
Total assets	<u>\$ 12,201,462</u>	<u>\$ 1,459,724</u>	<u>\$ 885,425</u>	<u>\$ -</u>	<u>\$ 14,546,611</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,592,920	\$ 25,687	\$ 62,661	\$ -	1,681,268
Accrued liabilities	3,827,985	112,736	-	-	3,940,721
Due to other funds	-	-	-	500,081	500,081
Due to primary government	6,291,973	-	-	-	6,291,973
Unearned revenues	488,584	49,140	-	-	537,724
Total liabilities	<u>12,201,462</u>	<u>187,563</u>	<u>62,661</u>	<u>500,081</u>	<u>12,951,767</u>
Fund balances:					
Nonspendable	-	77,559	-	-	77,559
Restricted	-	1,194,602	-	-	1,194,602
Assigned	-	-	822,764	-	822,764
Unassigned	-	-	-	(500,081)	(500,081)
Total fund balances	<u>-</u>	<u>1,272,161</u>	<u>822,764</u>	<u>(500,081)</u>	<u>1,594,844</u>
Total liabilities and fund balances	<u>\$ 12,201,462</u>	<u>\$ 1,459,724</u>	<u>\$ 885,425</u>	<u>\$ -</u>	<u>\$ 14,546,611</u>
Total fund balances per above					\$ 1,594,844
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				\$ 44,965,265	
Less: accumulated depreciation				<u>(18,709,591)</u>	26,255,674
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				\$ (899,622)	
Net pension liability				(44,109,214)	
Deferred outflow - pension				6,410,236	
Deferred inflow - pension				(3,093,921)	
OPEB obligation				(1,493,053)	
Note payable to the Primary Government				<u>(1,379,682)</u>	(44,565,256)
Net position of governmental activities					<u>\$ (16,714,738)</u>

**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, 2017**

	<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>
<b>REVENUES</b>					
Revenues from use of money and property	\$ 4	\$ 92	\$ 85	\$ -	\$ 181
Charges for services	587,646	247,979	-	-	835,625
Miscellaneous	12,078	-	48	100,000	112,126
Intergovernmental revenues:					
Local government	15,326,232	-	-	-	15,326,232
Commonwealth	28,097,775	68,320	343,612	-	28,509,707
Federal	4,661,608	2,569,266	-	-	7,230,874
Total revenues	<u>48,685,343</u>	<u>2,885,657</u>	<u>343,745</u>	<u>100,000</u>	<u>52,014,745</u>
<b>EXPENDITURES</b>					
Current:					
Administration	1,554,144	-	-	-	1,554,144
Instruction	35,332,382	-	388,310	-	35,720,692
Operating	11,798,817	2,624,709	-	-	14,423,526
Capital projects	-	144,937	-	929,022	1,073,959
Total expenditures	<u>48,685,343</u>	<u>2,769,646</u>	<u>388,310</u>	<u>929,022</u>	<u>52,772,321</u>
Net change in fund balances	-	116,011	(44,565)	(829,022)	(757,576)
Fund balances - beginning	-	1,156,150	867,329	328,941	2,352,420
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,272,161</u>	<u>\$ 822,764</u>	<u>\$ (500,081)</u>	<u>\$ 1,594,844</u>
Net change in fund balances - total governmental funds - per above					\$ (757,576)
Amount reported for governmental activities in the Statement of Activities are different because:					
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.					
Capital outlay, net of disposals				\$ 1,056,550	
Net change in City interest in School assets				2,131,640	
Depreciation expense				<u>(1,867,619)</u>	1,320,571
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				\$ 22,770	
Increase in OPEB liability				(134,312)	
Decrease in pension activity				354,098	
Decrease in note payable to the Primary Government				<u>115,591</u>	358,147
Change in net position of governmental activities					<u>\$ 921,142</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, 2017**

	<b>School Operating Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenues from use of money and property	\$ 200	\$ 200	\$ 4	\$ (196)
Charges for services	203,000	703,130	587,646	(115,484)
Miscellaneous	15,000	15,000	12,078	(2,922)
Intergovernmental revenues:				
Local government	17,007,204	16,388,887	15,326,232	(1,062,655)
Commonwealth	28,250,669	28,335,213	28,097,775	(237,438)
Federal	4,396,443	4,723,075	4,661,608	(61,467)
Total revenues	<u>49,872,516</u>	<u>50,165,505</u>	<u>48,685,343</u>	<u>(1,480,162)</u>
<b>EXPENDITURES</b>				
Current:				
Education	46,082,969	47,032,834	45,342,849	1,689,985
Debt service	3,383,828	3,383,828	3,342,494	41,334
Total expenditures	<u>49,466,797</u>	<u>50,416,662</u>	<u>48,685,343</u>	<u>1,731,319</u>
Net change in fund balance	405,719	(251,157)	-	251,157
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ 405,719</u>	<u>\$ (251,157)</u>	<u>\$ -</u>	<u>\$ 251,157</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, 2017**

	<b>School Cafeteria Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenues from use of money and property	\$ 600	\$ 600	\$ 92	\$ (508)
Charges for services	177,350	177,350	247,979	70,629
Intergovernmental revenues:				
Commonwealth	36,330	36,330	68,320	31,990
Federal	2,027,487	2,027,487	2,569,266	541,779
Total revenues	<u>2,241,767</u>	<u>2,241,767</u>	<u>2,885,657</u>	<u>643,890</u>
<b>EXPENDITURES</b>				
Current:				
Education	2,516,367	2,657,457	2,355,468	301,989
Operations and maintenance	538,722	335,732	269,241	66,491
Capital projects	87,823	149,723	144,937	4,786
Total expenditures	<u>3,142,912</u>	<u>3,142,912</u>	<u>2,769,646</u>	<u>373,266</u>
Net change in fund balance	(901,145)	(901,145)	116,011	1,017,156
Fund balance - beginning	-	-	1,156,150	1,156,150
Fund balance - ending	<u>\$ (901,145)</u>	<u>\$ (901,145)</u>	<u>\$ 1,272,161</u>	<u>\$ 2,173,306</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, 2017

	Textbook Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenues from use of money and property	\$ 200	\$ 200	\$ 85	\$ (115)
Miscellaneous	-	-	48	48
Intergovernmental revenues -				
Commonwealth	344,388	344,388	343,612	(776)
Total revenues	<u>344,588</u>	<u>344,588</u>	<u>343,745</u>	<u>(843)</u>
<b>EXPENDITURES</b>				
Current:				
Education	650,000	650,000	388,310	261,690
Total expenditures	<u>650,000</u>	<u>650,000</u>	<u>388,310</u>	<u>261,690</u>
Net change in fund balance	(305,412)	(305,412)	(44,565)	260,847
Fund balance - beginning	-	-	867,329	867,329
Fund balance - ending	<u>\$ (305,412)</u>	<u>\$ (305,412)</u>	<u>\$ 822,764</u>	<u>\$ 1,128,176</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, 2017**

	<b>Building and Bus Replacement Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenues from use of money and property	\$ 300	\$ 300	\$ -	\$ (300)
Miscellaneous	-	100,000	100,000	-
Total revenues	<u>300</u>	<u>100,300</u>	<u>100,000</u>	<u>(300)</u>
<b>EXPENDITURES</b>				
Capital projects:				
Capital outlay	948,960	1,048,960	929,022	119,938
Total expenditures	<u>948,960</u>	<u>1,048,960</u>	<u>929,022</u>	<u>119,938</u>
Net change in fund balances	(948,660)	(948,660)	(829,022)	119,638
Fund balances - beginning	-	-	328,941	328,941
Fund balances - ending	<u>\$ (948,660)</u>	<u>\$ (948,660)</u>	<u>\$ (500,081)</u>	<u>\$ 448,579</u>

**Balance Sheet**  
**Discretely Presented Component Unit - Children's Services Act Board**  
**June 30, 2017**

**ASSETS**

Cash	\$ 772,616
Interest receivable	58
Due from other governmental units	577,559
Due from primary government	331,023
Total assets	<u>\$ 1,681,256</u>

**LIABILITIES AND FUND BALANCES**

## Liabilities:

Accounts payable	\$ 223,567
Accrued liabilities	468
Due to the Commonwealth of Virginia	1,457,221
Total liabilities	<u>1,681,256</u>

## Fund balances:

Assigned	<u>-</u>
Total fund balance	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,681,256</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, 2017**

**REVENUES**

Miscellaneous	\$ 13,503
Intergovernmental revenues:	
Local government	882,043
Commonwealth	1,840,630
Federal	89,207
Total revenues	<u>2,825,383</u>

**EXPENDITURES**

Current:	
Health and welfare	<u>2,825,383</u>
Total expenditures	<u>2,825,383</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, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
<b>Revenues:</b>			
Revenues from local sources:			
Revenues from use of money and property:	\$ 14,400	\$ 21,285	\$ 6,885
Total revenues from use of money and property	<u>14,400</u>	<u>21,285</u>	<u>6,885</u>
Charges for services	9,250	136,730	127,480
Total charges for services	<u>9,250</u>	<u>136,730</u>	<u>127,480</u>
Miscellaneous revenues:			
Miscellaneous refunds and grants	396,763	209,120	(187,643)
Total miscellaneous revenues	<u>396,763</u>	<u>209,120</u>	<u>(187,643)</u>
Total revenues from local sources	<u>420,413</u>	<u>367,135</u>	<u>(53,278)</u>
Revenue from the Commonwealth			
Other state aid	21,000	3,939	(17,061)
Revenue from the federal government			
Categorical aid -			
Summer feeding program	(5,000)	-	5,000
Total categorical aid	<u>(5,000)</u>	<u>-</u>	<u>5,000</u>
Total revenues from the federal government	<u>(5,000)</u>	<u>-</u>	<u>5,000</u>
Total revenues	<u>\$ 436,413</u>	<u>\$ 371,074</u>	<u>\$ (65,339)</u>
<b>Expenditures:</b>			
<b>Parks, recreation, and cultural:</b>			
Parks and recreation:			
Recreation centers and playgrounds	\$ 722,996	\$ 662,200	\$ 60,796
Community division	176,746	106,235	70,511
Athletics division	153,156	117,256	35,900
Seniors' division	149,963	132,331	17,632
Pool center	210,724	219,463	(8,739)
Parks	429,819	419,990	9,829
Marina	14,400	4,483	9,917
Grants	26,133	18,660	7,473
Total parks and recreation	<u>1,883,937</u>	<u>1,680,618</u>	<u>203,319</u>
Total expenditures	<u>\$ 1,883,937</u>	<u>\$ 1,680,618</u>	<u>\$ 203,319</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
<b>Revenues</b>			
Revenues from other governments -			
Commonwealth	\$ 912,000	863,097	\$ (48,903)
Federal	-	636,999	636,999
Total revenues from other governments	<u>912,000</u>	<u>1,500,096</u>	<u>588,096</u>
Local sources -			
Other local taxes:			
Hotel and motel room taxes	722,500	846,557	124,057
Restaurant food taxes	1,850,000	1,881,443	31,443
Total other local taxes	<u>2,572,500</u>	<u>2,728,000</u>	<u>155,500</u>
Revenues from use of money and property -			
Revenue from the use of money	15,500	86,629	71,129
Total revenues from use of money and property	<u>15,500</u>	<u>86,629</u>	<u>71,129</u>
Miscellaneous revenues -			
Other miscellaneous	464,165	338,681	(125,484)
Total miscellaneous revenues	<u>464,165</u>	<u>338,681</u>	<u>(125,484)</u>
Total revenue from local sources	<u>3,052,165</u>	<u>3,153,310</u>	<u>101,145</u>
Total revenues	<u>\$ 3,964,165</u>	<u>\$ 4,653,406</u>	<u>\$ 689,241</u>
<b>Expenditures</b>			
Community Development	\$ -	\$ 300,000	\$ (300,000)
Capital Projects:			
Equipment	9,135,406	1,531,923	7,603,483
Parks and recreation	964,527	460,955	503,572
Economic development	38,440	96,471	(58,031)
Other projects	724,830	205,644	519,186
Streets, curbs, and gutters	5,965,893	3,514,784	2,451,109
Total capital projects	<u>16,829,096</u>	<u>5,809,777</u>	<u>11,019,319</u>
Debt Service:			
Principal retirement	3,043,451	3,182,512	(139,061)
Interest and other fiscal charges	1,629,423	2,280,958	(651,535)
Total debt service	<u>4,672,874</u>	<u>5,463,470</u>	<u>(790,596)</u>
Total expenditures	<u>\$ 21,501,970</u>	<u>\$ 11,573,247</u>	<u>\$ 9,928,723</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues - Budget and Actual**  
**Component Unit School Board**  
**For the Year Ended June 30, 2017**

Fund, Major, and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenues from local sources:				
Revenues from use of money and property -				
Revenues from the use of money	\$ 200	\$ 200	\$ 4	\$ (196)
Charges for services -				
Charges for education	203,000	703,130	587,646	(115,484)
Miscellaneous revenues -				
Other miscellaneous	15,000	15,000	12,078	(2,922)
Total revenues from local sources	<u>218,200</u>	<u>718,330</u>	<u>599,728</u>	<u>(118,602)</u>
Intergovernmental revenues:				
Revenues from local governments -				
Contribution from the City of Hopewell, Virginia	17,007,204	16,388,887	12,114,545	(4,274,342)
Contribution from the City of Hopewell, Virginia - Debt Service	-	-	3,211,687	3,211,687
Total revenues from local governments	<u>17,007,204</u>	<u>16,388,887</u>	<u>15,326,232</u>	<u>(1,062,655)</u>
Revenues from the Commonwealth:				
Categorical aid:				
Share of state sales tax	4,126,797	4,126,797	4,027,767	(99,030)
Basic school aid	13,397,836	13,397,836	13,464,499	66,663
ISAEP	15,717	15,717	16,835	1,118
Remedial summer education	116,640	116,640	174,762	58,122
Regular foster care	-	-	9,047	9,047
Special education foster care	24,960	24,960	9,402	(15,558)
Homebound education	20,607	20,607	36,219	15,612
Gifted and talented	150,579	150,579	150,240	(339)
Remedial education	1,097,975	1,097,975	1,095,502	(2,473)
Special education	1,700,292	1,700,292	1,696,464	(3,828)
Vocational	8,049	8,049	13,134	5,085
Vocational education	420,367	420,367	420,553	186
Social security fringe benefits	912,887	912,887	910,832	(2,055)
Retirement fringe benefits	1,879,105	1,879,105	1,874,874	(4,231)
Group life insurance benefits	56,467	56,467	62,600	6,133
Early reading intervention	144,306	144,306	200,998	56,692
At-risk payments	1,345,942	1,345,942	1,204,411	(141,531)
Primary class size	1,456,408	1,456,408	1,377,888	(78,520)
At-risk four year olds	667,663	667,663	696,074	28,411
Education technology	328,400	328,400	180,000	(148,400)
Standards of Learning algebra readiness	103,158	103,158	98,004	(5,154)
Mentor teacher program	5,195	5,195	6,740	1,545
English as a second language	121,426	121,426	105,649	(15,777)
Additional assistance	149,893	149,893	-	(149,893)
School Security Equipment Grant	-	84,544	82,690	(1,854)
Supplemental library	-	-	164,513	164,513
STEM Recruitment	-	-	1,000	1,000
Project Graduation	-	-	17,078	17,078
Total categorical aid	<u>28,250,669</u>	<u>28,335,213</u>	<u>28,097,775</u>	<u>(237,438)</u>
Total revenues from the Commonwealth	<u>28,250,669</u>	<u>28,335,213</u>	<u>28,097,775</u>	<u>(237,438)</u>



**City of Hopewell, Virginia**  
**Schedule of Revenues - Budget and Actual**  
**Component Unit School Board**  
**For the Year Ended June 30, 2017**

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	1,611,815	1,611,815	1,401,760	(210,055)
Impact Aid	20,000	20,000	21,095	1,095
Special Ed	922,960	922,960	906,372	(16,588)
Vocational Education	92,957	92,957	89,615	(3,342)
Title II	209,211	209,211	204,988	(4,223)
Title III	-	-	8,692	8,692
E-Rate Funds	70,000	70,000	27,164	(42,836)
Head Start	1,235,000	1,235,000	1,296,081	61,081
JROTC	59,500	59,500	71,603	12,103
AP Test Fees	-	-	76	76
Medicaid Reimbursements	175,000	175,000	406,844	231,844
21st Century Community Learn Ctr	-	326,632	227,318	(99,314)
Total categorical aid	<u>4,396,443</u>	<u>4,723,075</u>	<u>4,661,608</u>	<u>(61,467)</u>
Total revenue from the federal government	<u>4,396,443</u>	<u>4,723,075</u>	<u>4,661,608</u>	<u>(61,467)</u>
 Total School Operating Fund	 <u>\$ 49,872,516</u>	 <u>\$ 50,165,505</u>	 <u>\$ 48,685,343</u>	 <u>\$ (1,480,162)</u>
 <b>School Cafeteria Fund:</b>				
Revenues from local sources:				
Revenues from use of money and property				
Revenue from the use of money	\$ 600	\$ 600	\$ 92	\$ (508)
Charges for services -				
Cafeteria sales	<u>177,350</u>	<u>177,350</u>	<u>247,979</u>	<u>70,629</u>
Total revenues from local sources	<u>177,950</u>	<u>177,950</u>	<u>248,071</u>	<u>70,121</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid -				
School food program grant	<u>36,330</u>	<u>36,330</u>	<u>68,320</u>	<u>31,990</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	2,027,487	2,027,487	2,404,121	376,634
USDA commodities	-	-	165,145	165,145
Total categorical aid	<u>2,027,487</u>	<u>2,027,487</u>	<u>2,569,266</u>	<u>541,779</u>
Total revenues from the federal government	<u>2,027,487</u>	<u>2,027,487</u>	<u>2,569,266</u>	<u>541,779</u>
 Total School Cafeteria Fund	 <u>\$ 2,241,767</u>	 <u>\$ 2,241,767</u>	 <u>\$ 2,885,657</u>	 <u>\$ 643,890</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues - Budget and Actual**  
**Component Unit School Board**  
**For the Year Ended June 30, 2017**

Fund, Major, and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Textbook Fund:</b>				
Revenues from use of money and property -				
Revenues from the use of money	\$ 200	\$ 200	\$ 85	\$ (115)
Total revenues from use of money and property	<u>200</u>	<u>200</u>	<u>85</u>	<u>(115)</u>
Miscellaneous revenues -				
Other miscellaneous	-	-	48	48
Total miscellaneous revenues	<u>-</u>	<u>-</u>	<u>48</u>	<u>48</u>
Intergovernmental revenues:				
Revenues from the Commonwealth:				
Categorical aid -				
Textbook funds	344,388	344,388	343,612	(776)
Total revenue from the Commonwealth	<u>344,388</u>	<u>344,388</u>	<u>343,612</u>	<u>(776)</u>
Total School Textbook Fund	<u>\$ 344,588</u>	<u>\$ 344,588</u>	<u>\$ 343,745</u>	<u>\$ (843)</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Capital Projects Fund</b>				
<b>Building and Bus Replacement Fund</b>				
Revenues from use of money and property:				
Revenues from the use of money	\$ 300	\$ 300	\$ -	\$ (300)
Total revenues from use of money and property	<u>300</u>	<u>300</u>	<u>-</u>	<u>(300)</u>
Miscellaneous revenues -				
Other miscellaneous	-	100,000	100,000	-
Total Building and Bus Replacement Fund	<u>\$ 300</u>	<u>\$ 100,300</u>	<u>\$ 100,000</u>	<u>\$ (300)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 52,459,171</u>	<u>\$ 52,852,160</u>	<u>\$ 52,014,745</u>	<u>\$ (837,415)</u>

City of Hopewell, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Component Unit School Board  
 For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools -				
Administration	\$ 1,605,087	\$ 1,559,040	\$ 1,554,144	\$ 4,896
Total administration of schools	<u>1,605,087</u>	<u>1,559,040</u>	<u>1,554,144</u>	<u>4,896</u>
Instruction costs:				
Compensation	33,569,965	33,565,452	32,800,720	764,732
Supplies	890,781	1,258,950	886,894	372,056
Equipment	189,625	153,470	132,398	21,072
Purchased services	1,243,528	1,419,111	1,512,370	(93,259)
Total instruction costs	<u>35,893,899</u>	<u>36,396,983</u>	<u>35,332,382</u>	<u>1,064,601</u>
Operating costs:				
Attendance and health services	904,431	998,731	983,304	15,427
Pupil transportation	1,551,079	1,492,745	1,292,901	199,844
Operation and maintenance of school plant	4,334,125	4,458,979	4,135,590	323,389
Technology	1,794,348	2,126,356	2,044,528	81,828
Total operating costs	<u>8,583,983</u>	<u>9,076,811</u>	<u>8,456,323</u>	<u>620,488</u>
Total education	<u>46,082,969</u>	<u>47,032,834</u>	<u>45,342,849</u>	<u>1,689,985</u>
Operating costs -				
Debt service	3,383,828	3,383,828	3,342,494	41,334
Total School Operating Fund	<u>\$ 49,466,797</u>	<u>\$ 50,416,662</u>	<u>\$ 48,685,343</u>	<u>\$ 1,731,319</u>
<b>School Cafeteria Fund:</b>				
Education:				
School food services -				
Administration of school food program	\$ 2,516,367	\$ 2,657,457	\$ 2,355,468	\$ 301,989
Total education	<u>2,516,367</u>	<u>2,657,457</u>	<u>2,355,468</u>	<u>301,989</u>
Operations:				
Repair and replacement of equipment	479,244	279,114	239,003	40,111
Other	59,478	56,618	30,238	26,380
Total Operations and Maintenance	<u>538,722</u>	<u>335,732</u>	<u>269,241</u>	<u>66,491</u>
Capital project expenditures -				
Capital projects	87,823	149,723	144,937	4,786
Total capital projects	<u>87,823</u>	<u>149,723</u>	<u>144,937</u>	<u>4,786</u>
Total School Cafeteria Fund	<u>\$ 3,142,912</u>	<u>\$ 3,142,912</u>	<u>\$ 2,769,646</u>	<u>\$ 373,266</u>
<b>Textbook Fund:</b>				
Education:				
Instruction	\$ 650,000	\$ 650,000	\$ 388,310	\$ 261,690
Total education	<u>650,000</u>	<u>650,000</u>	<u>388,310</u>	<u>261,690</u>
Total School Textbook Fund	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ 388,310</u>	<u>\$ 261,690</u>
<b>Capital Projects Fund:</b>				
<b>Building and Bus Replacement Fund</b>				
Education:				
Capital project expenditures:				
Other project costs	\$ 948,960	\$ 1,048,960	\$ 929,022	\$ 119,938
Total capital projects	<u>948,960</u>	<u>1,048,960</u>	<u>929,022</u>	<u>119,938</u>
Total Building and Bus Replacement Fund	<u>\$ 948,960</u>	<u>\$ 1,048,960</u>	<u>\$ 929,022</u>	<u>\$ 119,938</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 54,208,669</u>	<u>\$ 55,258,534</u>	<u>\$ 52,772,321</u>	<u>\$ 2,486,213</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:

	<b><u>Table</u></b>
<b>Financial trends information</b> Financial trends information is intended to help the reader understand and assess how the City’s financial position has changed over time.	<b>1 to 4</b>
<b>Revenue capacity information</b> 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.	<b>5 to 8</b>
<b>Debt capacity information</b> 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.	<b>9 to 11</b>
<b>Demographic and economic information</b> Demographic and economic information is intended to help the reader understand the socioeconomic environment within which the City’s financial activities take place.	<b>12 to 14</b>
<b>Operating information</b> 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.	<b>15 to 16</b>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Government activities:</b>										
Net investment in capital assets	\$ 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	\$ 21,178,316
Restricted	983,265	11,016,079	1,054,321	1,024,445	469,962	472,833	464,911	400,000	-	-
Unrestricted	25,589,865	20,864,117	22,001,951	21,485,263	20,049,644	20,446,091	17,328,832	(698,824)	(27,852,308)	(6,088,372)
<b>Total governmental activities net position</b>	<b>\$ 29,419,309</b>	<b>\$ 26,458,647</b>	<b>\$ 25,518,832</b>	<b>\$ 22,919,074</b>	<b>\$ 23,454,292</b>	<b>\$ 29,156,472</b>	<b>\$ 27,600,679</b>	<b>\$ 15,217,073</b>	<b>\$ 14,489,023</b>	<b>\$ 15,089,944</b>
<b>Business-Type activities:</b>										
Net investment in capital assets	\$ 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	\$ 81,600,637
Restricted	395,641	395,641	395,641	395,641	502,351	-	-	-	2,928,418	2,608,185
Unrestricted	21,410,651	21,695,483	20,822,720	20,539,183	24,658,155	25,967,344	21,645,447	21,759,463	23,928,638	27,916,060
<b>Total Business-Type activities net position</b>	<b>\$ 22,185,400</b>	<b>\$ 20,209,847</b>	<b>\$ 22,051,417</b>	<b>\$ 24,456,901</b>	<b>\$ 29,599,970</b>	<b>\$ 31,540,419</b>	<b>\$ 32,801,799</b>	<b>\$ 52,986,459</b>	<b>\$ 97,206,980</b>	<b>\$ 112,124,882</b>
<b>Primary Government:</b>										
Net investment in capital assets	\$ 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	\$ 102,778,953
Restricted	1,378,906	11,411,720	1,449,962	1,420,086	972,313	472,833	464,911	400,000	2,928,418	2,608,185
Unrestricted	47,000,516	42,559,600	42,824,671	42,024,446	44,707,799	46,413,435	38,974,279	21,060,639	(3,923,670)	21,827,688
<b>Total Primary Government net position</b>	<b>\$ 51,604,709</b>	<b>\$ 46,668,494</b>	<b>\$ 47,570,249</b>	<b>\$ 47,375,975</b>	<b>\$ 53,054,262</b>	<b>\$ 60,696,891</b>	<b>\$ 60,402,478</b>	<b>\$ 68,203,532</b>	<b>\$ 111,696,003</b>	<b>\$ 127,214,826</b>

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Government activities:										
General government	\$ 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	\$ 6,144,219
Judicial administration	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	2,844,801
Public safety	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	15,493,658
Public works	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	5,979,173
Health and welfare	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	5,960,782
Education	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	14,318,352
Parks, recreation and cultural	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	2,503,892
Community development	1,097,051	1,426,189	1,499,806	2,885,797	735,236	729,140	896,763	868,640	2,301,148	2,816,814
Interest on long-term debt	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	2,651,880
Total governmental activities expenses	46,429,126	48,832,118	49,692,517	51,625,534	51,589,166	46,913,985	51,133,019	56,593,585	54,454,771	58,713,573
Business-Type activities:										
Public utilities	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	23,884,028
Total Primary Government expenses	64,126,273	70,020,725	67,402,291	67,973,976	67,782,771	65,077,980	72,247,309	80,410,355	75,758,000	82,597,601
<b>Program Revenues</b>										
Government activities:										
Charges for services:										
General government administration	201,555	-	1,991	7,620	3,913	4,464	3,718	-	395,800	896,400
Judicial administration	200,543	362,032	26,273	31,532	35,492	37,325	66,938	58,951	53,913	59,484
Public Safety	293,746	454,764	414,833	463,133	580,930	534,761	555,568	541,987	520,413	502,342
Public Works	-	-	-	19	1	3	7	-	-	-
Parks, recreation and cultural	177,568	102,269	308,350	296,931	253,921	245,420	198,885	145,507	153,249	136,730
Community development	-	-	78,193	70,194	58,448	51,959	82,410	-	-	-
Operating grants and contributions	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	11,667,396
Capital grants and contributions	262,809	197,033	380,537	361,697	2,400,955	481,634	316,105	245,093	593,982	1,500,096
Total governmental activities program revenues	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	14,762,447
Business-Type activities:										
Charges for services:										
Public utilities	16,017,671	18,808,470	18,400,410	18,537,642	17,775,706	18,358,264	22,385,729	21,134,708	26,589,787	28,716,225
Operating grants and contributions	33,661	-	-	-	-	-	-	-	21,906,801	6,889,200
Capital grants and contributions	-	-	513,084	82,284	3,100,000	1,160,000	-	23,492,801	13,305,001	2,982,290
Total Business-Type activities program revenues	16,051,332	18,808,470	18,913,494	18,619,926	20,875,706	19,518,264	22,385,729	44,627,509	61,801,589	38,587,715
Total Primary Government program revenues	27,358,107	30,850,509	30,213,511	30,420,698	34,334,439	31,101,784	33,596,553	56,234,585	74,762,950	53,350,162
Net (expense) / revenue:										
Governmental activities	(35,122,351)	(36,790,079)	(38,392,500)	(39,824,762)	(38,130,433)	(35,330,465)	(39,922,195)	(44,986,509)	(41,493,410)	(43,951,125)
Business-Type activities	(1,645,815)	(2,380,137)	1,203,720	2,271,484	4,682,101	1,354,269	1,271,439	20,810,739	40,498,360	14,703,687
	\$ (36,768,166)	\$ (39,170,216)	\$ (37,188,780)	\$ (37,553,278)	\$ (33,448,332)	\$ (33,976,196)	\$ (38,650,756)	\$ (24,175,770)	\$ (995,050)	\$ (29,247,438)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues and other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 32,304,897
Local sales and use taxes	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	2,076,135
Consumer utility taxes	665,210	349,751	350,230	376,118	347,966	355,950	348,009	389,249	379,052	379,052
Business licenses taxes	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	1,715,614
Other local taxes	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	6,386,179
Unrestricted grants and contributions	1,407,833	1,534,464	1,618,030	1,618,030	1,968,030	1,768,999	1,628,873	-	-	(64,575)
Unrestricted revenues from use of money and property	1,768,070	593,272	127,687	154,399	98,440	110,552	78,461	93,151	121,552	173,092
Gain on disposal of capital assets	1,000,000	-	-	-	-	-	-	-	-	-
Interest rate subsidy	-	-	-	363,750	-	-	-	-	-	-
Miscellaneous	266,593	167,241	1,281,867	1,142,241	1,927,346	1,736,852	1,620,797	1,478,801	1,616,987	1,581,652
Loss on debt refunding	-	-	-	-	-	-	-	2,127,083	-	-
Transfers	-	-	-	-	-	(66,495)	(407,326)	502,000	-	-
<b>Total governmental activities</b>	<b>33,576,144</b>	<b>33,829,417</b>	<b>37,452,685</b>	<b>37,225,004</b>	<b>38,665,651</b>	<b>39,289,246</b>	<b>38,842,093</b>	<b>44,075,400</b>	<b>43,259,037</b>	<b>44,552,046</b>
Business-Type activities:										
Transfers	-	-	-	-	-	66,495	407,326	(502,000)	-	-
Miscellaneous	-	-	-	-	-	216,311	-	811,486	-	-
Unrestricted revenues from use of money and property	843,518	404,584	36,210	134,000	460,967	303,374	268,690	247,297	318,470	214,215
<b>Total Business-Type activities</b>	<b>843,518</b>	<b>404,584</b>	<b>36,210</b>	<b>134,000</b>	<b>460,967</b>	<b>586,180</b>	<b>676,016</b>	<b>556,783</b>	<b>318,470</b>	<b>214,215</b>
<b>Total Primary Government</b>	<b>34,419,662</b>	<b>34,234,001</b>	<b>37,488,895</b>	<b>37,359,004</b>	<b>39,126,618</b>	<b>39,875,426</b>	<b>39,518,109</b>	<b>44,632,183</b>	<b>43,577,507</b>	<b>44,766,261</b>
Special item - loss on capital contributed	-	-	-	-	-	(1,160,000)	-	-	-	-
<b>Change in Net Position:</b>										
Governmental activities	(1,546,207)	(2,960,662)	(939,815)	(2,599,758)	535,218	2,798,781	(1,080,102)	(911,109)	1,721,543	600,920
Business-Type activities	(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	14,917,902
<b>Total Primary Government</b>	<b>\$ (2,348,504)</b>	<b>\$ (4,936,215)</b>	<b>\$ 300,115</b>	<b>\$ (194,274)</b>	<b>\$ 5,678,286</b>	<b>\$ 4,739,230</b>	<b>\$ 867,353</b>	<b>\$ 20,456,413</b>	<b>\$ 43,523,424</b>	<b>\$ 15,518,822</b>

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

	<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>	<u>2017</u>
General Fund:										
Reserved	\$ 1,305,385	\$ 1,085,023	\$ 1,146,496							
Unreserved	<u>10,508,586</u>	<u>9,484,371</u>	<u>10,168,180</u>							
Total General Fund	<u>\$ 11,813,971</u>	<u>\$ 10,569,394</u>	<u>\$ 11,314,676</u>							
All other governmental funds:										
Reserved	\$ 1,116,638	\$ 55,109	\$ 35,436							
Unreserved, reported in:										
Special Revenue Funds	228,810	157,004	346,795							
Capital Projects Funds	<u>12,321,255</u>	<u>20,995,610</u>	<u>22,131,546</u>							
Total all other Governmental funds	<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	\$ 63,734
Restricted				-	-	-	-	-	-	-
Committed				-	-	-	-	-	-	-
Assigned				7,433,145	7,185,036	7,185,036	7,577,377	8,129,327	7,888,552	7,181,491
Unassigned				<u>4,355,131</u>	<u>4,084,446</u>	<u>6,110,082</u>	<u>3,294,763</u>	<u>2,231,581</u>	<u>6,642,814</u>	<u>6,800,405</u>
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>\$ 14,593,080</u>	<u>\$ 14,045,629</u>
All other Governmental funds:										
Nonspendable				\$ -	\$ -	\$ -	\$ -	\$ 6,199,005	\$ 1,495,273	\$ 1,258,783
Restricted				10,098,751	5,789,508	5,789,508	5,789,508	8,941,242	9,775,518	9,256,135
Assigned				14,338,352	8,694,433	7,758,080	15,633,457	5,290,631	2,743,722	111,740
Unassigned				<u>(248)</u>	<u>(247)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(163,272)</u>
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>	<u>\$ 10,463,386</u>

Note: Fiscal years 2008 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)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
General property taxes	\$ 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	\$ 28,478,608
Other local taxes	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	8,733,644
Permits, privilege fees/regulatory licenses	206,454	135,509	352,348	31,956	41,144	42,889	105,139	230,893	205,552	116,070
Fines and forfeitures	155,217	282,130	714,594	1,288,030	1,866,202	1,544,560	1,561,049	1,545,064	1,173,179	1,624,267
Revenue from use of money and property	1,407,833	593,272	349,168	369,081	293,153	275,553	220,657	93,151	121,551	173,087
Charges for services	511,741	501,426	536,670	587,937	680,400	662,134	684,206	746,445	740,875	716,256
Miscellaneous	266,593	167,241	471,399	227,644	1,148,605	2,323,369	2,083,113	1,370,570	1,594,944	1,837,872
Recovered costs	823,000	872,000	872,000	884,500	884,500	884,500	884,500	382,500	382,500	884,500
Intergovernmental	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	14,606,753
<b>Total revenues</b>	<b>46,343,270</b>	<b>46,025,680</b>	<b>50,955,585</b>	<b>48,187,618</b>	<b>51,323,718</b>	<b>53,392,709</b>	<b>51,380,578</b>	<b>52,454,462</b>	<b>56,037,784</b>	<b>57,171,057</b>
<b>Expenditures:</b>										
General government administration	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	5,001,250
Judicial administration	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	2,452,889
Public safety	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	14,442,125
Public works	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	4,670,494
Health and welfare	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	5,728,065
Education	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	12,114,545
Parks, recreation and cultural	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	2,299,279
Community development	1,078,552	1,003,857	1,040,742	793,509	657,839	718,234	889,540	868,628	1,015,885	1,384,553
Nondepartmental	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	1,903,189
Capital projects	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	5,809,777
Debt service:										
Principal	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	3,182,512
Interest	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	2,280,958
<b>Total expenditures</b>	<b>51,322,938</b>	<b>50,061,577</b>	<b>51,706,020</b>	<b>63,597,037</b>	<b>61,664,456</b>	<b>52,213,064</b>	<b>56,382,797</b>	<b>59,427,705</b>	<b>57,151,348</b>	<b>61,269,636</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(4,979,668)</b>	<b>(4,035,897)</b>	<b>(750,435)</b>	<b>(15,409,419)</b>	<b>(10,340,738)</b>	<b>1,179,645</b>	<b>(5,002,219)</b>	<b>(6,973,243)</b>	<b>(1,113,564)</b>	<b>(4,098,579)</b>
<b>Other financing sources (uses):</b>										
Transfer in	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	5,181,590
Transfer out	(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)	(5,181,590)
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	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses), net</b>	<b>(790,000)</b>	<b>10,332,340</b>	<b>2,801,771</b>	<b>18,158,970</b>	<b>-</b>	<b>(66,495)</b>	<b>10,452,927</b>	<b>5,427,000</b>	<b>1,280,852</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (5,769,668)</b>	<b>\$ 6,296,443</b>	<b>\$ 2,051,336</b>	<b>\$ 2,749,551</b>	<b>\$ (10,340,738)</b>	<b>\$ 1,113,150</b>	<b>\$ 5,450,708</b>	<b>\$ (1,546,243)</b>	<b>\$ 167,288</b>	<b>\$ (4,098,579)</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>11.10%</b>	<b>10.61%</b>	<b>6.29%</b>	<b>11.77%</b>	<b>7.66%</b>	<b>11.70%</b>	<b>15.70%</b>	<b>9.11%</b>	<b>10.20%</b>	<b>9.85%</b>

**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
2017	\$1.13	\$ 1,528,290,500	\$3.50	\$ 140,296,585	\$3.05	\$ 264,711,192	\$ 385,528,920	\$1.49	\$ 2,318,827,197	\$ 2,307,233,061	100.50%
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	1,700,040,348	1,649,039,138	103.09%

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	
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
2017	1.13	3.50	3.05	1.02	3.50	1.49

(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**

Taxpayer	Fiscal Year 2017		Fiscal Year 2008	
	2016 Assessed Valuation	% of Total Assessed Valuation	2007 Assessed Valuation	% of Total Assessed Valuation
Virginia Electric & Power Company / Dominion Virginia Power	\$ 139,906,506	6.68%	\$ 44,019,761	1.56%
Advansix Resins & Chemical LLC (1)	133,313,404	6.37%	105,960,401	3.76%
West Rock (2)	129,301,684	6.17%	81,292,456	2.88%
Columbia HCA / John Randolph Hospital	93,300,181	4.46%	102,405,367	3.63%
Hopewell Cogentric Limited Partnership	89,220,292	4.26%	135,072,902	4.79%
Green Plains (3)	63,368,555	3.03%	1,497,600	0.05%
Ashland Aqualon Company (4)	62,312,980	2.98%	42,044,602	1.49%
Evoniks (5)	48,229,990	2.30%	63,710,678	2.26%
Virginia American Water Company	40,058,656	1.91%	20,304,656	0.72%
James River Cogeneration Company	<u>25,828,343</u>	<u>1.23%</u>	<u>40,289,047</u>	<u>1.43%</u>
Total of Principal Property Taxpayers	<u>\$ 824,840,591</u>	<u>39.39%</u>	<u>\$ 636,597,470</u>	<u>22.57%</u>
Grand Total of All Taxpayers	<u>\$ 2,093,979,464</u>		<u>\$ 2,821,427,715</u>	

(1) Advansix Resins & Chemical LLC succeeded Honeywell/Allied

(2) West Rock succeeded Rock Tenn and Stone Container

(3) Green Plains succeeded Future Fuels

(4) Ashland Inc succeeded Aqualon

(5) Evoniks succeeded Evonik Goldschmidt Corp

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
2017	\$ 32,023,520	\$ 30,143,321	94.13%	\$ -	\$ 30,143,321	94.13%
2016	29,780,535	28,194,428	94.67%	389,166	28,583,594	95.98%
2015	28,194,700	27,452,021	97.37%	281,375	27,733,396	98.36%
2014	27,263,306	25,359,477	93.02%	1,664,975	27,024,452	99.12%
2013	25,910,451	25,275,937	97.55%	379,244	25,655,182	99.01%
2012	25,502,328	24,389,663	95.64%	937,291	25,326,953	99.31%
2011	25,806,316	24,573,947	95.22%	1,180,108	25,754,054	99.80%
2010	25,365,543	24,277,032	95.71%	1,058,133	25,335,165	99.88%
2009	25,394,983	21,359,404	84.11%	4,011,591	25,370,995	99.91%
2008	23,544,869	21,035,463	89.34%	2,493,222	23,528,685	99.93%

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			
2017	\$ 55,321,601	\$ 1,599,200	\$ -	\$ 31,928	\$ 1,141,791	\$ 35,725,000	\$ 601,013	\$ -	\$ 94,420,533	12.13%	\$ 4,180
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

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>
2017	\$ 56,952,729	\$ -	\$ 56,952,729	2.46%	\$ 2,521
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

(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>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>	<u>2017</u>
Debt limit	\$ 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	\$ 152,829,050
Total net debt applicable to limit	<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>	<u>56,952,729</u>
Legal debt margin	<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>	<u>\$ 95,876,321</u>
Total net debt applicable to the limit as a percentage of debt limit	33.09%	33.96%	33.88%	43.83%	43.49%	42.42%	45.57%	48.48%	39.34%	37.27%

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 2017

Assessed value	\$ 1,329,697,900
Add back: exempt real property	<u>198,592,600</u>
Total assessed value	1,528,290,500
Debt limit (10% of total assessed value) (a)	152,829,050
Net debt applicable to limit	<u>56,952,729</u>
Legal debt margin	<u>\$ 95,876,321</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>
2017	22,591	\$ 778,341,324	\$ 34,454	6.1%
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%

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 2017</u>		<u>Fiscal Year 2008</u>	
	<u>Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Hopewell City School Board	500 to 999 employees	1	500 to 999 employees	1
AdvanSix Inc	500 to 999 employees	2	n/a	n/a
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	500 to 999 employees	4
Alliance Group Rock Tenn	250 to 499 employees	6	250 to 499 employees	6
Metz Division	250 to 499 employees	7	250 to 499 employees	8
Aqualon Company	250 to 499 employees	8	250 to 499 employees	7
Insulation Specialties	100 to 249 employees	9	n/a	n/a
Honeywell International, Inc.	100 to 249 employees	10	500 to 999 employees	2
Hopewell Operations LLC	100 to 249 employees	n/a	100 to 249 employees	10
Shaw Services LLC	50 to 99 employees	n/a	100 to 249 employees	9

Source: Virginia Employment Commission

(1) In FY 2008, Alliance Group Rock Tenn was Stone Container Corporation

(2) In FY 2008, Metz Division was Goldschmidt Chemical Corporation.

(3) In FY 2017, AdvanSix separated from Honeywell International Inc

Table 14

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

<b>Function</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
General Government:										
City Clerk	1	1	1	1	2	1	1	1	1	1
City Attorney	2	2	2	2	2	2	2	2	-	-
City Manager	6	6	6	6	6	7	7	7	9	9
Finance Department	15	15	15	15	15	14	14	14	14	16
City Treasurer	5	5	5	5	5	5	5	5	5	5
Commissioner of Revenue	7	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	5	5	5	5	5	5	5	5	5	5
Commonwealth Attorney	9	9	7	7	7	6	6	6	6	6
Court Services	4	2	2	2	2	3	3	3	3	3
General District Court	-	-	-	-	1	1	1	1	1	1
Public Safety:										
Sheriff Department	9	9	9	9	10	10	10	12	12	12
Fire & Rescue	43	43	46	46	46	45	45	45	47	53
Building inspections	7	7	6	6	6	6	6	6	6	7
Police Department	73	73	76	76	78	81	82	84	82	82
Animal Control	3	3	1	1	1	1	1	2	2	3
Emergency Services	1	1	1	1	1	1	1	1	1	1
Public Works:										
General Maintenance	36	36	34	34	34	34	34	36	36	41
Landfill	2	2	2	2	2	2	2	2	2	2
Engineering	4	4	3	3	3	3	3	3	3	4
Sewer Services	63	64	60	60	60	61	61	61	61	58
Health & Welfare:										
Department of Social Services	41	41	40	40	40	40	40	40	44	58
Community Services Act	1	1	1	1	1	1	1	1	2	2
Culture and Recreation:										
Parks and Recreation	17	17	15	15	15	15	15	15	15	17
Tourism	1	1	1	1	1	1	1	-	-	-
Community Development	3	3	3	3	3	3	3	3	3	3
Planning	2	2	1	1	1	1	1	1	1	1
<b>Totals</b>	<b>362</b>	<b>361</b>	<b>351</b>	<b>351</b>	<b>356</b>	<b>358</b>	<b>359</b>	<b>365</b>	<b>370</b>	<b>399</b>

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**

<b>Function</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Public safety										
Police department:										
E911 calls answered	22,381	19,764	14,101	17,075	17,329	24,655	14,205	19,516	19,701	19,701
Animal calls answered	1,912	1,361	1,856	2,757	3,028	2,818	2,917	2,960	2,712	2,473
Physical arrests	1,233	1,048	1,412	1,753	1,388	1,031	1,394	1,297	1,306	1,141
Civil papers										
Fire and rescue:										
Fire calls	1,232	1,164	3,130	3,430	3,687	3,213	3,352	3,138	3,477	4,394
EMS calls	2,046	1,944	3,557	3,505	3,615	3,545	3,556	1,296	4,001	3,822
Building inspections:										
Permits issued (all)	1,482	2,568	1,783	855	957	957	958	1,029	980	852
Inspections done (all)	1,174	2,895	4,607	482	2,560	2,560	2,297	4,007	1,313	2,281
Public works										
General maintenance:										
Work orders issued	2,720	2,002	1,898	1,429	2,346	2,501	3,196	2,688	2,701	2,393
Health and welfare										
Department of Social Services:										
Caseload*	8,436	9,087	10,378	10,707	10,911	10,911	11,446	12,324	8,652	11,888
Culture and recreation										
Parks and recreation:										
Community center visits	55,066	55,046	45,253	57,556	55,565	55,565	59,845	49,167	57,864	45,533
Summer program participants	425	320	1,058	1,303	N/A	N/A	N/A	223	1,511	2,069
Youth sports participants	4,039	4,627	5,314	4,461	N/A	N/A	2,235	737	711	908
Community development										
Planning:										
Zoning permits issued	1,346	1,376	496	218	291	291	539	167	199	186

Source: Individual city department workload counts.

\* Average total case count.



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

<b>Function</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
General Government										
Administration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	6	6	6	6	6	6	5	5	7	9
Public Works										
Vehicles	43	43	43	43	43	46	48	48	47	49
Public Safety										
Police Department:										
Vehicles	60	60	60	60	60	60	60	53	55	59
Sheriff Department:										
Vehicles	13	14	14	14	14	16	18	18	19	23
Fire Department:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Fire trucks	6	6	6	6	6	5	5	5	7	7
Other vehicles	8	8	8	8	8	8	8	10	10	11
Building Inspectors:										
Vehicles	7	7	7	7	7	9	10	9	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	14
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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 10, 2019.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Responses as items 2017-001 through 2017-008 that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2017-009 through 2017-014.

### **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.

Harrisonburg, Virginia  
June 10, 2019

## CITY OF HOPEWELL, VIRGINIA

Page 1

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2017**


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**Section I. FINANCIAL STATEMENT FINDINGS**

## A. Material Weaknesses in Internal Control

**2017-001: Material Weakness Due to Lack of Timely Reconciliations, Lack of Adequate Year End Close Procedures and Lack of Adequate Internal Controls over Budget Transfers**

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. Also, budget transfers should be properly supported and approved in accordance with City policy.

Condition/Context: During the fiscal year 2017 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 and School Board were unable to reconcile the City and School Board's cash and investments balances with financial institutions to the balance per the general ledger at June 30, 2017 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, 2017 until May 2018.
- Funding receipts from the Commonwealth of Virginia to the City was not reconciled to the general ledger at June 30, 2017, 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.
- Over 50 journal entries were made to the trial balance provided for audit.
- Budget transfers sampled for testing lacked adequate support and approval in accordance with City policy.
- Financial information was not accumulated to allow for required CAFR disclosure in accordance with GAAP, specifically significant contractual commitments.

Cause: During fiscal year 2017, 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, including budget transfers, to ensure the existence, completeness, accuracy, valuation, and disclosure of all assets and liabilities, revenues, and expenditures/expenses in the City's CAFR.

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2017**

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**Section I. FINANCIAL STATEMENT FINDINGS (Continued)**

A. Material Weaknesses in Internal Control (Continued)

**2017-001: Material Weakness Due to Lack of Timely Reconciliations, Lack of Adequate Year End Close Procedures and Lack of Adequate Internal Controls over Budget Transfers (Continued)**

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. Additionally, budget transfers which lacked documented approval and adequate support in accordance with City policy appear to have occurred.

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 over budget transfers and to ensure reconciliations are performed timely and formal year end close procedures are documented and followed to support the existence, completeness, accuracy, valuation, and disclosure of all assets and liabilities, revenues, expenditures/expenses, and significant contractual commitments reported in the City's CAFR.

Repeat Findings: 2015-001, 2015-002, and 2016-001

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

**2017-002: 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. An audit adjustment was identified to correct the School Board's cash balance. Entries were also required to restate prior periods for the following:

City:

Business-Type Activities:

Hopewell Regional Wastewater Treatment Facilities Fund (HRWTF)

- Correct prior year accounts receivable and revenue

Sewer Service Fund:

- Correct prior year accounts receivable and revenue

Solid Waste Fund:

- Correct prior year accounts receivable and revenue

Storm Water Fund:

- Correct prior year accounts receivable and revenue

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



## CITY OF HOPEWELL, VIRGINIA

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2017**


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**Section I. FINANCIAL STATEMENT FINDINGS (Continued)**
**A. Material Weaknesses in Internal Control (Continued)**
**2017-002: Material Weakness Due to Material Audit Adjustments and Restatements (Continued)**

Effect: As noted above, the effect of these transactions was to misstate prior and current year net position of the City. 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 School Board increase levels of oversight over maintaining accurate account balances.

Repeat Findings: 2015-001, 2015-002 and 2016-002

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

**2017-003: 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 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 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.

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2017**

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**Section I. FINANCIAL STATEMENT FINDINGS (Continued)**

A. Material Weaknesses in Internal Control (Continued)

**2017-003: Material Weakness Due to Lack of Accurate Supporting Records (Disclaimer of Opinions) (Continued)**

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 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 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, 2015-002 and 2016-003

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

**2017-004: 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 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.

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2017**

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**Section I. FINANCIAL STATEMENT FINDINGS (Continued)**

A. Material Weaknesses in Internal Control (Continued)

**2017-004: Material Weakness Due to Lack of Management Contract for Beacon Theatre (Continued)**

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: 2016-004

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

**2017-005: 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.

Additionally, based on a selection of journal entries that were tested, we noted a lack of segregation of duties over journal entry initiation, approval and posting.

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2017**

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**Section I. FINANCIAL STATEMENT FINDINGS (Continued)**

A. Material Weaknesses in Internal Control (Continued)

**2017-005: Material Weakness Due to Lack of Segregation of Duties and System Based Logical Access Controls (Continued)**

**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. Also, the City lacks adequate internal control over journal entries.

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

**Recommendation:** We recommend the City:

- 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.
- D. Review procedures over journal entries and modify as necessary to ensure adequate segregation of duties.

Repeat Finding: 2015-003 and 2016-007

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, 2017**

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**Section I. FINANCIAL STATEMENT FINDINGS (Continued)**

A. Material Weaknesses in Internal Control (Continued)

**2017-006: 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 2017 audit, it was determined the monthly LASER amounts were not being reconciled to the general ledger. The fiscal year ended 2017 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.

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: 2016-008

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

**2017-007: 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.

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2017**

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**Section I. FINANCIAL STATEMENT FINDINGS (Continued)**

A. Material Weaknesses in Internal Control (Continued)

**2017-007: Material Weakness Due to Lack of Debt Management Procedures (Continued)**

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

Repeat Finding: 2016-009

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

**2017-008: 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, the approved amount of the transaction exceeded the amount per Individual and Family Service Plan for five transactions. 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 and a return of funds to the state.

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

Effect: A weak internal control environment lacking required supporting documentation and lack of adequate review 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. Increased levels of oversight, review, and monitoring should occur to ensure compliance with Virginia law and CSA policy.

Repeat Finding: 2016-010

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

## CITY OF HOPEWELL, VIRGINIA

Page 9

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2017**


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**Section I. FINANCIAL STATEMENT FINDINGS (Continued)**

## B. Compliance Findings

**2017-009: Untimely Social Services LASER Reconciliations to the General Ledger**

See finding 2017-006.

**2017-010: 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 and 2016-016.

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

**2017-011: Children's Services Act Allowability and Eligibility Procedures**

See finding 2017-008.

**2017-012: 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.

## CITY OF HOPEWELL, VIRGINIA

Page 10

**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2017**


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**Section I. FINANCIAL STATEMENT FINDINGS (Continued)**
**B. Compliance Findings (Continued)**
**2017-012: 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: 2016-019

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

**2017-013: 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: 2016-020

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, 2017**

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**Section I. FINANCIAL STATEMENT FINDINGS (Continued)****B. Compliance Findings (Continued)****2017-014: 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 and Community Development Block Grant 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 and Community Development Block Grant 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 and Community Development Block Grant 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 and Community Development Block Grant 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*.

Repeat Finding: 2016-021

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

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

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

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

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

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

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

**Excerpts from AU-C 260:**

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

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

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

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

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

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

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

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

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

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

- significant delays in management providing required information.

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

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

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

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

**Rachel Reamy**

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

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

Good afternoon,

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

Thank you,

## Lindsay Barker

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

(P) 804-371-7024



Terence R. McAuliffe  
Governor

Todd P. Haymore  
Secretary of  
Commerce and Trade

## COMMONWEALTH of VIRGINIA

William C. Shelton  
Director

### DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

March 24, 2017

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

Dear Mayor. Shornak:

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

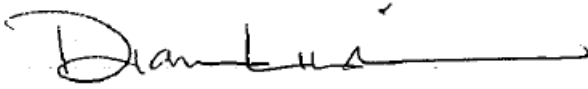
Your delinquency in this regard is a matter of serious concern to the Commission on Local Government (CLG) because the information contained in the Comparative Report transmittal file to the APA is critical to the work of the CLG. Without it, we are unable to compute the annual fiscal stress report on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

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

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



Sincerely,

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

Diane Linderman, Chair

Enclosure

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



## 2014 Fiscal Stress Scores by Localities

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

## 2014 Fiscal Stress Scores by Localities

(Alphabetic Order)

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

## 2014 Fiscal Stress Scores by Localities

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

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

## 2014 Revenue Capacity per Capita

(Alphabetic Order)

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

## 2014 Revenue Capacity per Capita

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

## 2014 Revenue Capacity per Capita

(Alphabetic Order)

Locality	Revenue Capacity	Rank
Charlottesville City	\$1,979.05	95
Chesapeake City	\$1,770.62	73
Colonial Heights City	\$1,925.29	88
Covington City	\$1,275.59	19
Danville City	\$1,231.47	15
Emporia City	\$1,225.24	14
Fairfax City	\$3,789.46	129
Falls Church City	\$4,444.50	132
Franklin City	\$1,336.83	27
Fredericksburg City	\$2,299.87	112
Galax City	\$1,337.08	28
Hampton City	\$1,351.14	29
Harrisonburg City	\$1,256.64	17
Hopewell City	\$1,184.95	12
Lexington City	\$1,307.66	24
Lynchburg City	\$1,307.15	23
Manassas City	\$1,838.13	77
Manassas Park City	\$1,546.91	55
Martinsville City	\$1,147.59	8
Newport News City	\$1,389.76	33
Norfolk City	\$1,279.43	20
Norton City	\$1,535.76	54
Petersburg City	\$1,071.77	4
Poquoson City	\$2,107.14	107
Portsmouth City	\$1,267.22	18
Radford City	\$877.04	2
Richmond City	\$1,759.14	71
Roanoke City	\$1,455.31	44
Salem City	\$1,757.65	70
Staunton City	\$1,420.10	41
Suffolk City	\$1,728.86	68
Virginia Beach City	\$1,922.04	87
Waynesboro City	\$1,561.31	57
Williamsburg City	\$2,031.07	104
Winchester City	\$1,988.75	96

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

## 2014 Revenue Effort

Locality	Revenue Effort	Rank
Accomack County	0.7461	90
Albemarle County	0.7583	87
Alleghany County	1.0467	43
Amelia County	0.6660	112
Amherst County	0.7274	99
Appomattox County	0.6942	106
Arlington County	1.0866	40
Augusta County	0.6071	124
Bath County	0.6163	123
Bedford County	0.5292	131
Bland County	0.7710	82
Botetourt County	0.6933	107
Brunswick County	0.7263	100
Buchanan County	1.2506	27
Buckingham County	0.6579	114
Campbell County	0.7830	80
Caroline County	0.8678	60
Carroll County	0.9669	50
Charles City County	0.8024	76
Charlotte County	0.7560	88
Chesterfield County	0.8740	57
Clarke County	0.6255	122
Craig County	0.5855	126
Culpeper County	0.7914	79
Cumberland County	0.9450	52
Dickenson County	1.0350	44
Dinwiddie County	0.8348	68
Essex County	0.8007	77
Fairfax County	0.9846	49
Fauquier County	0.7603	85
Floyd County	0.5746	128
Fluvanna County	0.7323	95
Franklin County	0.6490	115
Frederick County	0.8051	74
Giles County	0.8336	69
Gloucester County	0.7586	86
Goochland County	0.5246	132
Grayson County	0.7285	98
Greene County	0.7930	78
Greensville County	1.1310	36
Halifax County	0.7002	105
Hanover County	0.7289	97
Henrico County	0.8522	63
Henry County	0.7337	94
Highland County	0.5591	129
Isle of Wight County	0.8032	75
James City County	0.8702	58
King and Queen County	0.8136	73
King George County	0.7616	84
King William County	0.7816	81

## 2014 Revenue Effort

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



## 2014 Revenue Effort

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

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

## 2014 Median Household Income

(Alphabetic Order)

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

## 2014 Median Household Income

(Alphabetic Order)

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

## 2014 Median Household Income

(Alphabetic Order)

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

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



# COMMONWEALTH of VIRGINIA

*Auditor of Public Accounts*

Martha S. Mavredes, CPA  
Auditor of Public Accounts

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

January 26, 2018

Jackie M. Shornak, Mayor  
Charles Dane, Interim City Manager  
City of Hopewell  
300 North Main Street  
Hopewell, VA 23860

Dear Ms. Shornak and Mr. Dane:

Chapter 836 of the 2017 Virginia Acts of Assembly (Part 4-8.03) directs the Auditor of Public Accounts to establish a prioritized early warning system to identify possible local fiscal distress within localities across Virginia and monitor accordingly on an annual basis. This year our office developed criteria to make a preliminary determination of fiscal distress based on an analysis of calculating ten key financial ratios using audited financial statement data, as well as considering other qualitative factors. This analysis used the ratio results from the fiscal year 2016 audited financial statement data to determine an overall Financial Assessment Model (FAM) score for each locality. Using the FAM score results, we developed a threshold to use as an indicator for making our preliminary determination of where our office would focus additional follow up with a locality that appeared to show signs of potential fiscal distress. For all cities, counties, and the two towns having a separate school system, we set this threshold at a FAM score of less than or equal to 16 percent.


In our previous letter dated August 31, 2017, we notified the City of Hopewell concerning our inability to determine the city's FAM score for Fiscal Years 2015 or 2016 because our office had not received the final audited 2015 and 2016 Comprehensive Annual Financial Report (CAFR). Accordingly, we requested your locality allow our office to perform further review through completion of our assessment questionnaire.

Our office further communicated with the City on October 5, 2017, to provide additional clarification as to the timing and completion of the fiscal stress follow-up questionnaire for our 2016 fiscal distress monitoring process. Our office emphasized that the City's completion of its reporting requirements takes precedence over our assessment questionnaire, given the statutorily mandated deadline for localities to complete their annual reporting requirements by November 30 each year. Accordingly, we strongly encouraged the City to focus its efforts on completing and submitting to our office its outstanding 2015 transmittal data for our

Comparative Report, its outstanding 2016 audited CAFR and transmittal data, then focus its efforts on completing its 2017 CAFR and transmittal data, prior to completing the questionnaire. To date, our office has received the City's 2015 final audited financial report and transmittal data; however, the City's completion and submission of its 2016 and 2017 audited financial reports and transmittal data still remains outstanding.

This letter is to provide closing notification for our fiscal year 2016 FAM analysis that our office will not seek further follow up at this time related to our review of a completed assessment questionnaire for the City. As soon as the City has completed and submitted its 2016 and 2017 annual financial reports and transmittal data to our office, we will then evaluate the City's data in our current year model, review any qualitative factors as part of our annual monitoring process, and communicate at a later date regarding the City's completion of our follow up assessment questionnaire.

Sincerely,



Martha S. Mavredes, CPA  
Auditor of Public Accounts

cc: Michael Terry, Director of Finance  
Jasmine E. Gore, Vice Mayor  
Christina Luman-Bailey, Councilor  
Arlene Holloway, Councilor  
Anthony Zevgolis, Councilor  
Janice Denton, Councilor  
Brenda S. Pelham, Councilor  
Roselyn R. Dance, Senator  
Lashrecse D. Aird, Delegate  
Riley E. Ingram, Delegate

**SB-4**



# CITY OF HOPEWELL CITY COUNCIL ACTION FORM

**Strategic Operating Plan Vision Theme:**

- Civic Engagement
- Culture & Recreation
- Economic Development
- Education
- Housing
- Safe & Healthy Environment
- None (Does not apply)

**Order of Business:**

- Consent Agenda
- Public Hearing
- Presentation-Boards/Commissions
- Unfinished Business
- Citizen/Councilor Request
- Regular Business
- Reports of Council Committees

**Action:**

- Approve and File
- Take Appropriate Action
- Receive & File (no motion required)
- Approve Ordinance 1<sup>st</sup> Reading
- Approve Ordinance 2<sup>nd</sup> Reading
- Set a Public Hearing
- Approve on Emergency Measure

**COUNCIL AGENDA ITEM TITLE:**

Audit Update – CPMT/CSA Office

**ISSUE:** Request update from CPMT and CSA office regarding results of special audit, and status as to what changes have been implemented to correct negative audit findings.

**RECOMMENDATION:****TIMING:****BACKGROUND:****ENCLOSED DOCUMENTS:**

- CSA Special Audit

**STAFF:**

Wanda Brown, CSA Coordinator  
Ray Spicer, Director, Social Services

**FOR IN MEETING USE ONLY**

**MOTION:** \_\_\_\_\_

**Roll Call****SUMMARY:**

Y	N		Y	N	
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Debbie Randolph, Ward #1	<input type="checkbox"/>	<input type="checkbox"/>	Councilor Janice Denton, Ward #5
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Arlene Holloway, Ward #2	<input type="checkbox"/>	<input type="checkbox"/>	Councilor Brenda Pelham, Ward #6
<input type="checkbox"/>	<input type="checkbox"/>	Councilor John B. Partin, Ward #3	<input type="checkbox"/>	<input type="checkbox"/>	Vice Mayor Patience Bennett, Ward #7
<input type="checkbox"/>	<input type="checkbox"/>	Mayor Jasmine Gore, Ward #4			

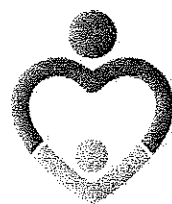


***COMPREHENSIVE SERVICES ACT***  
***PROGRAM AUDIT***

***City of Hopewell***

***Audit Report No. 07-2013***

***September 25, 2013***



Office of  
**Comprehensive  
Services**

Empowering communities to serve youth

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## EXECUTIVE SUMMARY

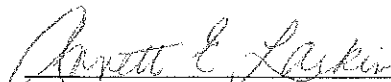
The Office of Comprehensive Services has completed an audit of the City of Hopewell Comprehensive Services Act for At Risk Youth and Families program. Our audit concluded that there were material weaknesses in internal controls, particularly in reference to governance and accountability of the \$6.5 million of allocated (state and local) funding for fiscal years 2012 and 2013 combined. Conditions were identified that could adversely impact the effective and efficient use of resources, as well as non-compliance with statutory requirements. The following significant issues were identified:

- Operational activities were not consistently and sufficiently performed to ensure evidence of multidisciplinary collaboration in service planning, such as completing the Child Adolescent Strengths and Needs (CANS) assessment and Individual Family Service Plans (IFSP).
- Fiscal practices and procedures adopted by the CPMT needs strengthening to increase the operational effectiveness, specifically relating to lines of authority and responsibility, execution of transactions, and monitoring. Hopewell expended \$24,897 for client services where CSA requirements to access pool funds were not met.
- A formal long range plan had not been documented by the City of Hopewell Community Policy and Management Team (CPMT) to document the goals, objectives, and strategies, in order to establish a means to fully measure and evaluate the operational and fiscal effectiveness of the local CSA program.

The Office of Comprehensive Services appreciates the cooperation and assistance provided on behalf of the City of Hopewell CPMT and other CSA staff. Formal responses from the City of Hopewell to the reported audit observations are included in the body of the full report.



Stephanie S. Bacote, CIGA  
Program Auditor



Annette E. Larkin, MBA  
Program Auditor

## INTRODUCTION

The Office Comprehensive Services has completed a financial/compliance audit of the City of Hopewell Comprehensive Services Act for At-Risk Youth and Families program. The audit was conducted in accordance with generally accepted government auditing standards. The standards require planning and performance of the audit pursuant to stated audit objectives in order to provide a reasonable basis for audit observations, recommendations, and conclusions. The audit was completed on September 24, 2013 and covered the period April 1, 2012 through March 31, 2013.

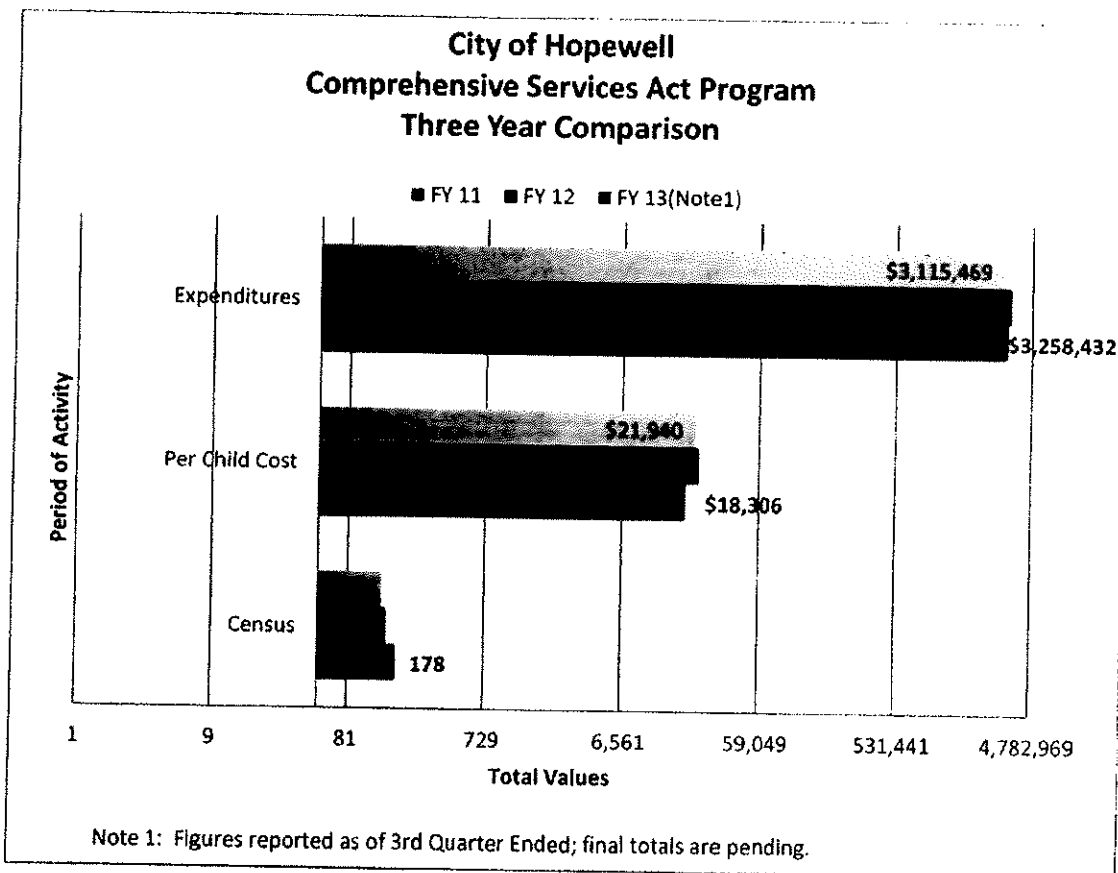
The objectives of the audit were to:

- To determine whether adequate internal controls have been established and implemented over CSA expenditures.
- To determine the adequacy of training and technical assistance by assessing local government CSA staff knowledge and proficiency in implementing local CSA programs.
- To assess whether operations have maintained high standards for sound fiscal accountability and ensured responsible use of taxpayer funds by evaluating fiscal activities of local CSA programs.
- To assess the level of coordination among local government CSA stakeholders and efforts to improve CSA performance by evaluating local CSA program's operational and utilization review practices.

The scope of our audit included all youth and their families who received CSA funded services during fiscal years 2012 and 2013. Audit procedures performed included reviews of relevant laws, policies, procedure, and regulations; interviews with various CSA stakeholders; flowcharts of operational and fiscal processes; various tests and examination of records; and other audit procedures deemed necessary to meet the audit objectives.

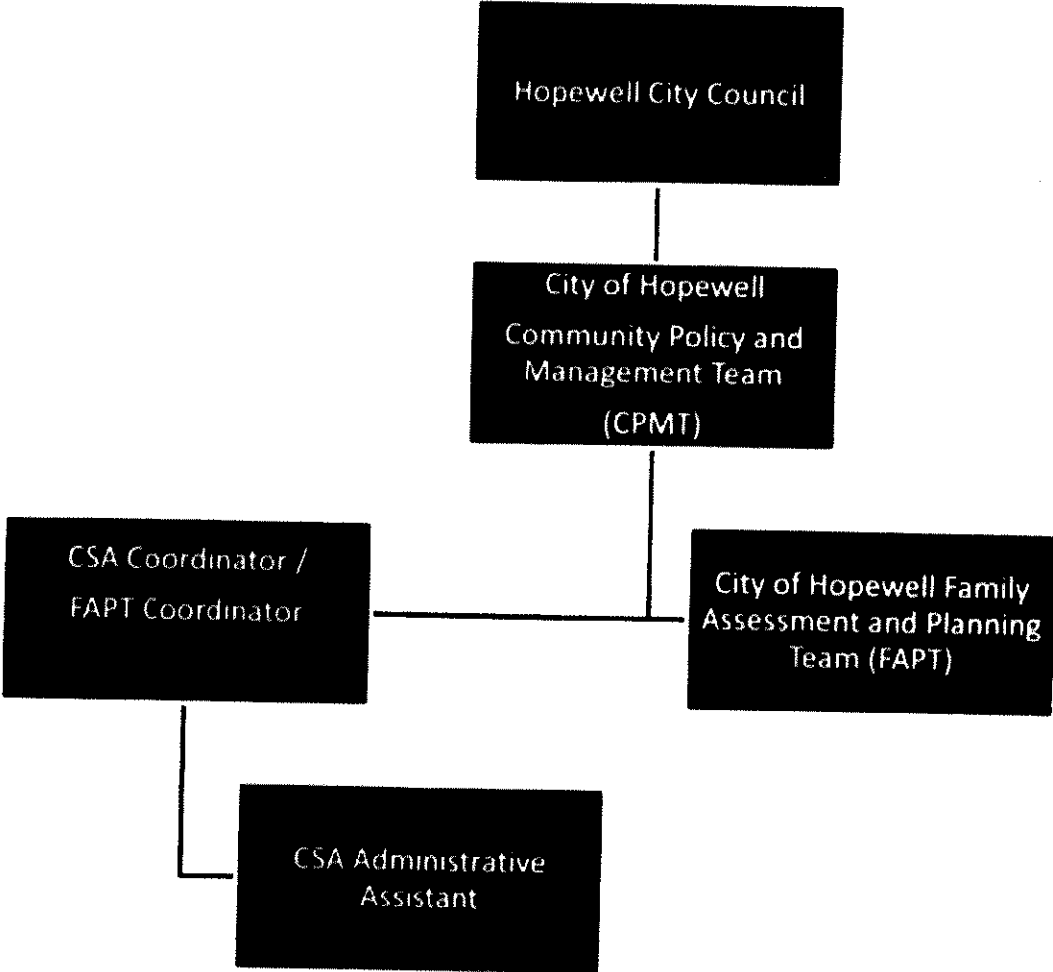
### BACKGROUND

The Comprehensive Services Act for At-Risk Youth and Families (CSA) is a law enacted in 1993 that establishes a single state pool of funds to purchase services for at-risk youth and their families. Of the approximate \$300 million appropriated by the Virginia General Assembly and local governments to fund CSA, the total combined state and local initial allocation for City of Hopewell in fiscal years 2012 to 2013 was \$3,422,540. Actual net expenditures for this period totaled \$6,593,133, which represents a 92% increase above the initial FY 12 and 13 funding allocations. Supplemental funding allocations were requested and granted to cover the increased expenditures for “sum sufficient” services provided to eligible at-risk youth and families. Based on reported figures for the fiscal year 2013 pending final close-out, the estimated average per capita cost of CSA in the City of Hopewell is \$146. A trend analysis of the City of Hopewell CSA expenditures, population, and costs per child (“unit cost”) indicated expenditures and the number of clients served were relatively stable from fiscal year 2012 to 2013, while the cost per child dropped 20%. The chart below depicts a comparison for fiscal years 2011 through 2013.



Source: CSA Website, Statewide Statistics ([http://www.csa.virginia.gov/publicstats/csa\\_pool.cfm](http://www.csa.virginia.gov/publicstats/csa_pool.cfm))

The state funds, combined with local community funds, are managed by local interagency teams, referred to as "Community Policy and Management Teams" (CPMT) who plan and oversee services to youth. The City of Hopewell CPMT is supported in this initiative by the "Family Assessment and Planning Team" (FAPT) responsible for recommending appropriate services. Administrative support to the CPMT and FAPT is provided by a part-time CSA Coordinator. The local management structure for City of Hopewell is as follows:



## OBSERVATIONS AND RECOMMENDATIONS

### A) PROGRAM ACTIVITIES

Observation 1: Documentation of service planning activities requires strengthening to ensure compliance with program requirements. Nineteen case files were examined to confirm that required documentation was maintained in support of and to validate FAPT and /or multi-disciplinary team (MDT) referral and CPMT funding decisions. The results of the examination, identified opportunities for improvements as follows:

- Client case files did not always contain sufficient information demonstrating compliance with CSA requirements key to coordination and service planning by FAPT. Specific exceptions included: (1) absence of an IFSP documenting services recommended, (2) Child Adolescent Needs Strengths (CANS) assessments were not completed, (3) missing and/or outdated consent to exchange information, (4) absent verification of VEMAT rates, and (5) parental co-pay assessments were not documented. One or more of the identified exceptions were observed for 11 (57%) of the 19 client case files examined.
- Required key data elements included on service planning documents (i.e. IFSPs) were not always consistently completed. Stated goals and objectives were not recorded on the IFSP for 5 (26%) of 19 client files reviewed. For IFSPs where goals were indicated, the goals were not always measurable. The IFSP format was recently revised to include data fields for incorporating specific measurable goals, objectives, and strategies. However, we observed that those data elements were left blank in some instances.

Poor data collection and document management in service planning may lead to increased operational and fiscal inefficiency and ineffectiveness of the local program. Further, this condition fosters an environment that makes the program more susceptible to potential loss of accessibility to State funding in support of local programs as a result of non-compliance with CSA statutes regarding service planning and access to pool funds.

Criteria:

§ 2.2-5208. FAPT Powers and Duties, Item 5  
 CSA Manual Section 3.5 Records Management  
 CSA Manual Section 4.3.5 Provision of Services

Agency Risk Management and Internal Control Standards, Control Activities

Recommendation: Prior to service planning, the CSA Coordinator and the FAPT should verify and obtain copies of completed CANS assessments and current consent to exchange information. The CSA Coordinator and the FAPT should also ensure that an IFSP is fully completed, to include measurable goals and objectives, and is maintained in the client case file in order to substantiate services recommended to CPMT for funding authorization. Lastly, periodic case file reviews should be performed by someone other than the CSA Coordinator to establish quality control of client records and to ensure compliance with CSA statutory requirements.

Client Comments: Concur.

1. "Hopewell CSA will require that CANS assessments are received prior to initial case reviews by the FAPT or the CANS assessment must accompany the IFSP. Also, the most recent CANS dates will be provided to CPMT prior to the approval of purchase order funding."
2. "Hopewell CSA has implemented a revised consent to exchange information form which allows information to be exchanged throughout the duration of the case or as long as the client is receiving services."
3. "IFSPs will not be accepted for review without the document being completed and including goals that reflect the need for services. The FAPT will review IFSPs and determine the appropriate services which will be added to the plan."
4. "Hopewell CSA will require that a copy of the VEMAT rate sheet be provided before FAPT reviews and CPMT funding approval."
5. "Hopewell will begin to utilize the Virginia State Median Income guidelines to assess parental co-pays. If parental co-pay is determined, CSA will require the parent or guardian to sign a parental contribution agreement for monthly payments."

Observation 2: Utilization management/utilization review (UM/UR) of residential facility placements were not always documented per the locally established policies and procedures. Facility reviews are performed in order to collect utilization data, document progress or effectiveness of services delivered, monitor specific service delivery dates or other required elements in support of the Individual Family Services Plan (IFSP). Insufficient documentation of the results of facility reviews conducted reduces the reliability and integrity of information maintained in support of decision making as it pertains to the validity and effectiveness of purchased services.



Criteria: § 2.2-5206. CPMT Powers and Duties, Item 13  
 CSA Policy Manual Section 8.1, Utilization Management  
 City of Hopewell, CSA Program Policies and Procedures Manual, Section IV.D.2.b. (5), Implementation/Monitoring of the Service Plan

Recommendation: The CSA Coordinator should ensure that required documentation evidencing utilization reviews of residential placements are completed by persons responsible for conducting those reviews (i.e. Case Managers and/or FAPT) and that the documents are retained in the individual client case files.

Client Comments: Concur. "The CSA Coordinator will complete quarterly reviews of residential facilities and services providers. The completed reviews will be presented to CPMT members during the monthly meeting. A copy of the review will be placed in the vendors file as well as in the client's file who is placed in the facility."

Observation 3: Local policies and procedures governing the provision of services pertaining to intensive care coordination (ICC) had not been established by the Hopewell CPMT. However, a memorandum of agreement (MOA) was established with the District 19 Community Service Board describing scope and terms of agreement for ICC services available to Hopewell youth and families. The original term of the MOA expired June 2010. However, there was no documentation of renewals for subsequent periods and ICC services were not purchased by the Hopewell CSA after the agreement expired. The exclusion of formal, written policies and procedures relating to ICC services and/or out-dated service agreements used in lieu of formal policies and procedures leads to non-compliance with CSA statutory requirements.

Criteria: § 2.2-5206. CPMT Powers and Duties, Item 17  
 Agency Risk Management and Internal Control Standards, Control Environment (Governance); Issued by Virginia Department of Accounts

Recommendation: The CPMT should ensure that policies pertaining to ICC services are incorporated with the Hopewell CSA Policies and Procedures Manual, and that contractual agreements established for the provision of services are reviewed for renewal (if applicable) prior to expiration. Renewal notices should be maintained in support of continuing the agreement beyond the original period of service.

Client Comment: Concur. "Hopewell CPMT will utilize and implement the ICC policy provided in the CSA Policy Manual. The ICC policy will be included in the Hopewell CSA Policies and Procedures Manual. Also, Hopewell CSA

will contract with providers who are trained and approved to provide ICC services.”

## **B) FISCAL ACTIVITIES**

**Observation 4:** Hopewell’s CSA Program expended \$24,897 to cover the cost of services provided to youth and families where service planning activities were not in accordance with CSA requirements. Affected transactions included payments where: (1) CANS assessments were not completed, (2) IFSP’s documenting service recommendations were not available, and (3) expense incurred was not identified in an existing IFSP. This condition was observed for 6 (31%) of the 19 client cases examined. Based upon the conditions cited, the potential that funds could be mismanaged is significantly increased.

Description	Non-Compliance Criteria	Clients Affected	Total Amount
Missing CANS	CSA Statute	3	\$ 14,025
Missing CANS & IFSP	CSA Statute	2	\$ 10,760
IFSP omits expense	CSA Statute	1	\$ 112

**Criteria:** Current Appropriations Act Chapter 806  
 CSA Manual Section 3.1.5.b Referrals to FAPT  
 CSA Manual Section 3.2.6 Access to Pool Funds CPMT  
 CSA Manual Section 4.3.5 Provision of Services  
 CSA Manual Section 4.5.3 Disbursement Procedures and Toolkit

**Recommendation:** Prior to processing invoices for payment and submittal of pool fund reimbursement requests, the CSA Coordinator should verify that the CANS and IFSP has been completed for applicable clients and that expenditures incurred are not the responsibility of another agency. The CPMT should consult with the Office of Comprehensive Services regarding the appropriate action to be taken as it pertains to reimbursement of the state share of expenditures that could not be validated.

**Client Comments:** No opinion at this time.

1. “Hopewell CSA will ensure that all case managers or a representative from referring agencies are certified CANS users. CSA will also designate a FAPT member to complete CANS assessments on non-mandated cases. IFSPs will not be reviewed for approval without a completed CANS assessment.”
2. “IFSPs will not be accepted for review without the document being completed and including goals that reflect the need for services. The

- FAPT will review IFSPs and determine the appropriate services which will be added to the recommendation section of the plan.”
3. The CSA Coordinator will ensure that service expenses and service dates are included in the recommendation section of the IFSP.”

Condition 5:

Adequate measures were not always consistently applied to ensure effective and efficient use of financial resources that could be used to offset the costs incurred for CSA pool funded services. Assessments of parental co-payments were not documented to evidence parental ability to share financial responsibility for costs associated with services provided to eligible youth. A review of CSA pool fund financial reports indicated that there have been no parent co-pay collections since FY 2011. Under these conditions, the opportunity lost for collection of additional funds is significant and could materially impact the local program’s ability to increase funding availability for services required to meet the needs of the community.

Criteria:

COV § 2.2-5206 (3) CPMT, Duties and Responsibilities  
COV § 2.2-5208 (6) FAPT, Powers and Duties  
 CSA Manual Section 3.1.5 Duties and Responsibilities  
 CSA Manual Section 4.5.4 Sliding Fee Scale  
 Hopewell CSA Program Policy and Procedure Manual, Section VI.G,  
 Parental Contribution to Cost of Services Provided

Recommendation:

The CPMT should ensure that the CSA Coordinator and/or the FAPT documents parental ability to pay supported by verification of stated income or certification stating indigent status. The amount assessed should be reported to the CPMT along with the request for approval for funding of FAPT referred services. Collection and reporting procedures should be established to ensure amounts received are recorded accurately and timely. Such documentation should be retained in the case file for the required records retention period.

Client Comments:

Concur. “Hopewell CSA will begin to utilize the Virginia State Median Income guides to assess parental co-pays. Parents/guardians will be required to complete a form that includes members of their households and all sources of income. If parental co-pay is determined, CSA will require the parent or guardian to sign a parental contribution agreement for monthly payments. Parental co-pay assessments and agreements will be maintained in client files.”

Observation 6: Policies, procedures, and practices for contracting and purchasing of services authorized for funding by the Hopewell CPMT need strengthening to mitigate internal control weaknesses in maintaining segregation of duties, clear lines of authority and responsibility, ethics in contracting , and execution of transactions. Based upon the review of existing contracts and approved purchase orders, the following opportunities for improvement were observed:

- The CSA Coordinator is the authorized signatory for vendor contracts, purchase orders, and accounts payable/vendor invoice processing. The opportunity for a single individual to authorize contracts, purchases, and payment of CSA funded services reduces the effectiveness of internal controls to ensure that accountability and appropriate use of CSA pool funds are maintained.
- Existing vendor contracts do not include an “Ethics in Public Contracting” clause, particularly pertaining to prohibited acts by vendors and representatives of CSA, such as the solicitation acceptance, and/or exchange of donations, gifts, grants, etc.

Purchase orders were created and approved after services were initiated and invoices were received. Per discussions with Hopewell CSA and Finance staff, this method was adopted in order to manage accurate reporting of CSA financial position and encumbrances that were not aligned with actual fund balances due to Hopewell’s aging financial accounting system. A new system is due to be installed in the near future.

Criteria: Hopewell CSA Program Policies and Procedures Manual, Section V. Fiscal Procedures  
Agency Risk Management and Internal Control Standards, Control Activities; Issued by Virginia Department of Accounts  
§ 2.2-4371. Prohibition on solicitation or acceptance of gifts; gifts by bidders, offerors, contractor or subcontractors prohibited.

Recommendation: The CPMT should consider adding language to future contracts to address ethical contracting expectations, as well as, designating a representative of the CPMT, such as the CPMT Chair as the signatory for CSA contract agreements. The CSA Coordinator should work with the Hopewell Finance Office to refine the purchase process to ensure that purchase orders are created and approved prior to initiating services.

Client Comments: No opinion at this time.  
1. “Annual contracts will be signed by the CPMT Chair.”

2. "Hopewell's finance office is in the process of implementing a new accounting system that will generate purchase orders before services are rendered. Final purchase order approvals are signed by the Finance Director before vendors are reimbursed for services rendered."
3. "Hopewell CSA utilizes the vendor contract developed by the Office of Comprehensive Services. The contract did not include an "Ethics in Public Contracting" clause. Hopewell CSA will revise their contract for FY 2014-15 to include COV § 2.2-4371. Prohibition on solicitation or acceptance of gifts; gifts by bidders, offerors, contractor or subcontractors prohibited."

### **C) CPMT ADMINISTRATION**

**Condition 7:** The Hopewell Community Policy and Management Team (Hopewell CMPT) has not coordinated and documented a formal long-range plan that includes an assessment of the current risks, strengths, and needs of the existing program, as well as measurable goals, objectives, and strategies for evaluating the effectiveness and accountability of the local CSA program. The ability and likelihood of the CPMT to adequately monitor and provide oversight of the local CSA program is an essential component of organizational governance. The absence of formal planning, coordination, and program evaluation to ensure that the goals and objectives of the program are met may affect the integrity of the CPMT's governance activities, maximizing the use of state and community resources, and ultimately local efforts to better serve the needs of youth and families in the community.

**Criteria:** § 2.2-5206. CPMT, Powers and Duties  
 CSA Manual 3.1.5 Duties and Responsibilities  
 Toolkit Coordinated Long Range Planning  
 Agency Risk Management and Internal Control Standards (Control Environment, Risk Assessment, Information and Communication, and Monitoring); Issued by Virginia Department of Accounts.  
 Hopewell CSA Program Policies and Procedures Manual

**Recommendation:** The CPMT should develop procedures for documenting long-range planning. The process should include development of a formal risk assessment process and measurable criteria to be used for evaluating program accountability and effectiveness. The CPMT could initiate the discussion using the information collected in the development of the Annual Gap Survey.

Client Comments: Concur. "Hopewell CPMT has begun the process to develop a long range plan. CPMT is researching community needs and partnering with stakeholders to develop and implement the long range plan. CPMT will also utilize the Annual CSA Gaps Survey to address the needs of the community. After the plan is developed, CPMT will review the goals and objectives annually to determine if the plan continues to meet the needs of CSA and the community."

Condition 8: Opportunities exist for the Hopewell CPMT to improve communication of the local CSA program's philosophy, ethics, goals, objectives, policies, procedures and performance outcomes. There is little evidence to support how this information is disseminated to partnering agency representatives, youth, families and community stakeholders. Examples of the limited reach of information include:

- Hopewell's CPMT has adopted a code of ethics, philosophy and quality assurances as reflected in the policies and procedures manual. While these attributes have been established, they have not been effectively communicated to all stakeholders (i.e. families, private providers, community partners, case managers, etc.) because of the limited dissemination of information to only CPMT and FAPT members.
- There is no formal continuing education program to ensure local CSA stakeholders are afforded awareness on the duties and responsibilities of CPMT, State requirements (e.g., legislative changes), and local policies and procedures governing CSA.
- CPMT meeting agendas do not reflect periodic reporting of aggregate data related to program performance outcomes. There was no evidence of consistent preparation and review of utilization management reports.

The broader dissemination of information to all CSA stakeholders promotes consistency in awareness and understanding regarding accessibility to services, and also demonstrates high standards for sound fiscal accountability and responsible use of taxpayer funds.

Criteria: COV § 2.2-5200 Intent and purpose; definitions, Items A.4 through A.6  
CSA Manual Section 1, Items 4 through 6

Agency Risk Management and Internal Control Standards, Control Environment (Governance) and Control Activities (Competence and Monitoring); Issued by Virginia Department of Accounts

Recommendation:

The CPMT should implement a process to enhance communications with partner agencies, youth, families, and community stakeholders to promote the local CSA program and share information regarding the program's policies, procedures, philosophy, ethics, goals, performance, budgeting, etc. Suggested actions to be considered may include, but not limited to, the following:

- develop a website for ongoing dissemination of information to the public and community stakeholders, to include but not limited to demographic data (i.e. population served and annual expenditures by service placement type or costs per child).
- Include reporting of performance outcomes as a standing agenda item for CPMT meetings.
- Utilize surveys to solicit stakeholder feedback.
- Update existing Parent's Guide Brochure
- Periodically assess the training needs of CPMT, FAPT, and community stakeholders. Based upon assessment results, the CPMT should develop and implement a formal training agenda. At least annually, the CPMT should report on continuing education acquired/provided by CPMT and FAPT members as well as participation by community stakeholders (i.e. parent representatives, private providers, etc.).

Client Comment:

Concur.

1. "Hopewell CSA will revise the informational brochure to include the code of ethics and philosophy. The brochure will be made available to community partners and stakeholders."
2. "Hopewell CSA will provide on-going training and educational opportunities at least twice per year. CSA will also notify stakeholders of educational opportunities within the community."
3. "CPMT and FAPT members will be notified and educated on state legislative requirements and local policy changes that affect CSA. Notification of these changes will be documented in CPMT and FAPT minutes."
4. "CPMT will review annually aggregate data generated by the SAS system. This information will be provided in a formal management report that reviews the prior fiscal year."

### CONCLUSION

Our audit concluded that there were material weaknesses in internal controls over the City of Hopewell CSA program, particularly in reference to governance and accountability of the \$6.5 million of allocated (state and local) funding. Conditions were identified pertaining to the administrative and fiscal practices of the locally administered program that could adversely impact the effectiveness and efficient use of resources, as well as non-compliance with statutory requirements. An exit conference was conducted on September 10, 2013 to present the audit results to the City of Hopewell CPMT. Persons in attendance representing the City of Hopewell CPMT: Avon Miles, CPMT Chair (effective 7/1/2013)/Court Service Unit; Nancy Treanor, Past CPMT Chair/Hopewell Department of Social Services; Jerry Whitaker, CPMT Fiscal Agent/City of Hopewell, Finance Director; Tonya Pulliam, Private Provider Representative (Pulliam Innovative Consulting; and Jamillah Karriem, CSA Manager. Representing the Office of Comprehensive Services was Stephanie Bacote, Program Auditor. We would like to thank the City of Hopewell CPMT and related CSA staff for their cooperation and assistance on this audit.



**REPORT DISTRIBUTION**

Ms. Susan Clare, Executive Director  
Office of Comprehensive Services

Mr. Mark Haley, Interim City Manager  
City of Hopewell

Mr. Nancy Treanor, CPMT Chair  
Director, City of Hopewell Department of Social Services

Mr. Avon Miles, CPMT Chair (Effective 7/1/2013)

Mr. Jerry Whitaker, CPMT Fiscal Agent  
Finance Director, City of Hopewell

Ms. Jamillah Karriem, CSA Manager



***CHILDREN'S SERVICES ACT  
PROGRAM AUDIT***

***City of Hopewell  
Special Review***

***Audit Report No. 01-2016***

***November 3, 2017***



**Office of Children's Services**  
Empowering communities to serve youth

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# HOPEWELL CSA SPECIAL REVIEW – REPORT SUMMARY

## CHRONOLOGY

Date	Event Description
6/5/2015	OCS Executive Director receives notification from the Department of Medical Assistance Services (DMAS) concerning activities in Hopewell which may involve the CSA program's use of mentoring services, which were provided concurrently with community-based Medicaid eligible services.
7/1/2015	Interagency collaboration and coordination of efforts regarding concerns of non-compliance and misuse of CSA and Medicaid funds. Agencies represented included: OCS, DMAS, Department of Behavioral Health and Developmental Services (DBHDS), Office of the Attorney General, Medicaid Fraud Control Unit (MFCU), and Magellan of Virginia.
7/20/2015	OCS Executive Director receives an anonymous complaint alleging non-compliance and inappropriate use of CSA funds.  OCS Program Auditors notified Hopewell CSA's CPMT Chair of intent to initiate a review of the Hopewell CSA program.
7/28/2015 - 7/30/2015	Onsite audit fieldwork began. At the conclusion of the onsite fieldwork, OCS Program Auditors provided an informal debriefing to the full CPMT of potential non-compliance areas. Details of audit procedures and results are noted in the body of the full report.
8/5/2015	OCS Program Auditors notified Hopewell CSA's CPMT Chair, Fiscal Agent, and CSA Coordinator of preliminary observations and requested additional information needed to complete the review.
01/14/2016	OCS was advised to suspend review until further notice due to coordinated and ongoing investigations by other state and federal agencies that were yet to be concluded.
10/12/2017	OCS was advised to resume the special review.



# HOPEWELL CSA SPECIAL REVIEW – REPORT SUMMARY

## AUDIT PROCEDURES

1. Policy/Procedure Reviews. Reviewed the Code of Virginia Children’s Services Act (§ 2.2-5200 et seq.), CSA Policy Manual, and City of Hopewell CSA Program Policies and Procedures Manual (Amended May 2014). The documents were reviewed to establish the following:
  - A. Eligibility criteria to access CSA pool funds.
  - B. Policies and procedures governing CSA referrals and funding authorizations.
  - C. Policies and procedures governing contracting and purchase of services.
  - D. CPMT monitoring/oversight activities to ensure appropriateness of services and accountability of funds.
2. Assessment of CPMT Oversight Activities. Reviewed CPMT meeting minutes for fiscal years 2013 through 2015. Documents were utilized in search of evidence of the CPMT’s engagement in oversight activities such as policy/procedure development and/or reviews; coordination of long-range planning; utilization review/utilization management; evaluations of fiscal and program performance outcomes; authorization of funding for services recommended by the Family Assessment and Planning Team (FAPT); and implementation of quality improvement plan tasks related to deficiencies noted in the prior audit engagement.
3. Analyses. Obtained and reviewed fiscal and performance management reports from the OCS website for FY 2013-2015, as well as general ledger/accounts payable reports provided by Hopewell’s Finance office indicating payments for mentoring services. Documents were reviewed to identify trends/outliers particular to the Hopewell CSA program.
4. Interviews. Conducted interviews with the CSA Coordinator and Fiscal Agent to obtain additional information and/or clarification regarding the documentation used in the verification of client eligibility, evidence of required service planning activities and funding authorizations; and determinations of fiscal impact. Communications were exchanged (in-person, email, or by phone) on numerous occasions from July 20, 2015 through December 18, 2015.
5. Client Records Reviews. Reviewed a sample consisting of fifty (50) client records for which community based services were funded during the period July 1, 2012 through June 30, 2015. Client records were examined to verify compliance with CSA requirements governing eligibility to access state pool funds and documentation of justification for services recommended and funded. File contents such as: Individual and Family Services Plans (IFSP), Individualized Education Program (IEP), Child and Adolescent Needs and Strengths Assessments (CANS), vendor treatment plans, vendor progress notes, utilization review reports, consent to exchange information, Child in Need of Services (CHINS) determinations, vendor purchase orders and invoices, etc. were closely scrutinized in the application of CSA eligibility criteria and verification that required compliance requirements were met. Traced services denoted in the IFSP and/or IEP to CPMT minutes to confirm funding approvals.
6. Financial Reporting Evaluation. Obtained general ledger account codes used in the locality’s accounts payable ledgers and subsequently recorded in the applicable expenditure categories of the CSA Pool Fund Reimbursement Reports. Along with vendor invoices, assessed whether expenditures were properly recorded as “sum sufficient” or “non-sum sufficient”.

# HOPEWELL CSA SPECIAL REVIEW – REPORT SUMMARY

## AUDIT OBSERVATIONS AND RESULTS

<b>Observation 1</b>	<p>The City of Hopewell CSA Program improperly expended \$428,960.00 and was reimbursed the state share of \$370,981.36 funds in the purchase of services for ineligible clients. Based upon application of the criteria established by the Code of Virginia (COV) § 2.2-5212 (Eligibility for state pool of funds), 36 clients with services funded by the state pool were determined ineligible for this funding. Fifteen (15) of those 36 clients were referred by the Virginia Juvenile Community Crime Control Act (VJCCCA)/Department of Juvenile Justice (DJJ).</p> <p>There was no documentation of either “sum sufficient” or “non-sum” sufficient eligibility. Extensive reviews were conducted of client case files that included: (1) examination of file documentation such as IFSPs and CANS assessments, (2) interviews with the CSA Coordinator, (3) verifications with the Department of Juvenile Justice of client referrals where indicated, (4) and consultation with OCS Program Consultants for further validation of conclusions.</p> <p>Exhibit A on page 8 provides a detailed breakdown of the referral source and period covered.</p>
<b>Observation 2</b>	<p>The City of Hopewell CSA Program improperly expended \$534,690.94 and was reimbursed the state share of \$453,765.61 funds for the purchase of services for thirteen (13) CSA eligible clients where it was determined that required CSA documentation and funding authorization to support expenditures could not be located, and thus audit verification procedures could not be performed.</p> <p>The auditor reviewed client case files for verification that services were recommended by the Family Assessment and Planning Team (FAPT) and documented in an approved service plan (IFSP) evidenced by FAPT signatures per COV § 2.2-5208. CPMT minutes and supplemental spreadsheets of services recommended for funding were closely examined to established that funding of services recommended were properly authorized per COV § 2.2-5206. The spreadsheets presented to the CPMT and the authorizations noted in the meeting minutes did not always include community-based services regardless of whether expenditures were classified as “sum sufficient” or “non-sum sufficient”. When discussing audit concerns with the full CPMT about spreadsheets presented to CPMT for funding authorization, the CPMT appeared unaware that community-based services recommended were not included. In addition, CPMT’s monitoring activities did not include any reconciliation and/or analysis of total funding authorizations to actual expenditures paid.</p> <p>Exhibit B on page 9 provides a detailed breakdown of the referral source and period covered.</p>



<b>Observation 3</b>	<p>In FY 2015, the City of Hopewell CSA Program exceeded its established limit for the use of protected state pool funds to provide funding for services for clients that did not meet the criteria for “sum sufficient” eligibility. Hopewell was allocated \$71,270 in protected funds for FY 2015 per Section 4.5.1 of the Children’s Services Act Policy Manual, “Protected Funds” (Adopted 1994, Revised 1995, 1996, 1997). However, actual expenditures totaled \$144,291 resulting in an over expenditure of \$73,021. A significant portion (\$59,450) this amount is a direct result of expenditures incurred for clients that were ineligible to access state pool funds and/or where funding authorizations could not be validated (Observations 1 and 2). Less those previously identified unallowable costs, the balance of the remaining overspend of protected funds is \$13,571.00 and the state share totals \$11,752.49.</p>
<b>Observation 4</b>	<p>Fiscal processes and payment practices of the Hopewell CSA program created an environment conducive to questionable billing practices by the vendor most frequently utilized to provide mentoring services. Poor fiscal practices impacting the CSA program’s funds management included:</p> <ul style="list-style-type: none"> <li>• Invoicing for periods prior to the start date indicated in the IFSP and/or billing for more hours than specified in the service plan. Billing adjustments and/or refunds were not requested by Hopewell CSA. <p style="margin-left: 40px;"><i>Example 1: Vendor offers a summer camp program from 7/7/14 – 8/22/14. The IFSP states that services are to be provided 7/21/14 - 8/22/14. The dates of service listed on the invoice are 7/7/14 – 8/22/14 instead of 7/21/14 – 8/22/14. Estimated Cost \$1,250</i></p> <p style="margin-left: 40px;"><i>Example 2: Vendor invoiced for 10 hours per week rather than the 6 hours per week stated in the IFSP. Estimated Cost. \$5,500</i></p> </li> <li>• The vendor remitted invoices requesting payment prior to the end of the period for which services were to be rendered. Hopewell CSA office improperly submitted the invoices to the finance office for payment without verification that the services billed had been received. <p style="margin-left: 40px;"><i>Example 3: Vendor invoice dated 8/12/14. Service dates were indicated as 8/4/14 – 8/22/14. Invoice was marked as received and approved for payment on 8/13/14, at least 9 days before the services were scheduled to be completed.</i></p> </li> <li>• Purchase orders were not prepared by the CSA Office until after services were initiated and the vendor invoices were received. This issue was raised in a prior audit (9/25/2013). When interviewed, the former CSA Coordinator and CPMT Fiscal Agent cited the aging financial accounting system as the cause and noted that a new system would be installed. The auditor confirmed that a new financial accounting system was actively in use. However, the process for completing purchase orders timely remained unchanged.</li> </ul> <p>The current CSA Coordinator and CPMT Fiscal Agent were interviewed and were asked to provide an explanation for why such practices were permitted. The CSA Coordinator was new to the role and deferred to the CPMT Fiscal Agent, who was unable to provide sufficient justification for the breakdown in fiscal controls that are widely accepted as standard industry best practices.</p>

**Observation 5**

The review also included a follow-up of our previous audit (report dated 9/25/2013) to determine whether the quality improvement plan that was provided by the Hopewell CPMT had been implemented satisfactorily. The quality improvement plan identified specific tasks that were to be completed by July 1, 2014 to address reported deficiencies. Based on the results of our current onsite fieldwork that covered fiscal years 2013 to 2015, the following exceptions represent repeat audit observations for which quality improvement tasks have not been implemented:

- Documentation of service planning activities requires strengthening to ensure compliance with program requirements. Client case files did not include the following required documents: IFSPs, CANS assessments, consent to exchange information, utilization reviews, vendor treatment plans, vendor progress reports, vendor invoices, purchase orders, evidence of parental involvement.
- Utilization management/utilization review of residential facilities were not performed in accordance with locally established policies and procedures.
- Local policies and procedures governing the provision of Intensive Care Coordination (ICC) services have not been established.
- Assessment of parental contributions were not documented to evidence parental ability to share financial responsibility for costs associated with services provided to eligible youth.
- Hopewell CSA Program's philosophy, ethics, goals, objectives, policies, procedures, and performance metric/outcomes are not effectively communicated to stakeholders.

Given that the same deficiencies exists two years after the prior audit, this represents an extended period where management's action in response to significant risk exposures (i.e. non-compliance and internal control weaknesses) has been delayed. The purpose of the quality improvement plan is to ensure management takes appropriate action to resolve deficiencies in a timely manner. The CPMT, as the governing body, is responsible for on-going monitoring of the quality improvement plan to ensure the implementation of the plan and that actions taken are working as intended.



# HOPEWELL CSA SPECIAL REVIEW – REPORT SUMMARY

## CONCLUSION

Our audit concluded that there were major deficiencies<sup>1</sup> in compliance and internal controls in the Hopewell CSA program. There were a series of serious shortcomings in governance, fiscal and operational practices that fueled an environment conducive to non-compliance with state and local CSA statutes, policies, and procedures and the resulting misuse of CSA funds. However, poor oversight and monitoring of the program by the CPMT is the most notable. During an informal debriefing with the full CPMT, members acknowledged that even after receipt of the prior audit report that they relied extensively on the former CSA Coordinators’ knowledge and experience that CSA compliance requirements were being met.

The inadequate day-to-day management of the CSA program by the former CSA Coordinator and subsequent failures in oversight by the CPMT adversely impacted effective and efficient use of resources, accomplishment of program objectives, and compliance with statutory requirements. Comparative and trend analysis of fiscal and management reports highlight examples that link areas of non-compliance and fiscal mismanagement:

- Total expenditures increased 23% (\$827,500) from 2014 to 2015. However, 39% of the expenditure increase can be attributed to the average amount of unallowable expenditures identified in the special review (\$325,740.65 per year). Excluding the unallowable expenditures, the increase in expenditures from 2014 to 2015 would have been 14% rather than 23%.
- From 2013 to 2015, the average number of children served annually was 159. Based on the sample (50) of client files selected, community-based mentoring services were funded for at least 31% of the client population. However, it was determined that 36 (72%) of those 50 clients were ineligible.
- The average duration of community based services increased 51 days from 276 in 2014 to 327 in 2015. Of the client case files examined, mentoring services were provided from seven (7) weeks to three (3) years.
- In 2015, the use of community based services was 24% higher than the statewide average while the percent of youth with a decrease in CANS Child Behavior/Emotional Needs domain was 3.7% below the statewide average. Child behavior/emotional concerns were most often indicated in the IFSP as the justification for community-based mentoring services.
- Fifteen percent (\$672,200) of the total expenditures in 2015 were paid to one vendor, which was the primary provider of mentoring services for youth determined ineligible or where required CSA documentation and funding authorization to support expenditures were missing. This was a 24% increase over the amount paid to the same provider in 2014.

<b>Funds Identified for Recovery</b>	<b>\$836,499.46 (state share of \$977,221.94 in unallowable CSA expenditures)</b>
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<sup>1</sup> Major deficiency is defined as an internal control deficiency or combination of deficiencies that severely reduces the likelihood that the entity can achieve its’ objectives.” Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework, May 2013.

# HOPEWELL CSA SPECIAL REVIEW – REPORT SUMMARY

## RECOMMENDATIONS

### Office of Children’s Services:

The City of Hopewell should be denied \$836,499.46 (state share) in accordance with State Executive Council (SEC) Policy 4.6 (Denial of Funds) due to violations of Virginia law and CSA policy. This amount should be recovered from future requests for state CSA reimbursements.

### Hopewell Community Policy and Management Team:

The Hopewell Community Policy and Management Team should prepare and submit a quality improvement plan addressing the audit observations included in this report within 30 days of receipt of this report. The plan should identify tasks to be completed, responsible party for monitoring implementation, and target date for completion. Suggestions of areas to be addressed include:

- Review existing fiscal and program policies, procedures and practices and revise where necessary to ensure state and local program and fiscal compliance requirements are met, to include but not limited to:
  - FAPT referrals,
  - Parental contribution assessments,
  - FAPT service planning,
  - CPMT authorization of funding,
  - Utilization reviews and Utilization management,
  - Quality assurance reviews (by someone other than CSA Coordinator),
  - Records management and retention
  - Expenditure payment processing/documentation,
  - Fund balance reconciliations and financial reporting, and
  - CPMT governance activities (frequency of meetings, review of financial/performance monitoring reports in aggregate and/or child-specific, validation of integrity/accuracy of information used in decision making).

The tasks identified should address the manner in which service planning recommendations, funding authorizations, and other governance actions conducted by the CPMT can be substantiated.

- Establish a formal training program and implement periodic and ongoing training for all CSA stakeholders (CPMT, FAPT, Case Manager, Families, etc.).
- On an ongoing basis, the CPMT should monitor the progress of all quality improvement plans to ensure timely implementation of tasks identified and that control activities are operating as intended. It should be noted that A full financial/compliance audit was completed by OCS of the Hopewell CSA (September 12, 2017) for which a quality improvement plan was required that addressed similar exceptions noted in this report.



# EXHIBIT - A

<b>CLIENTS INELIGIBLE FOR CSA FUNDING</b>				
<b>No Documentation of Eligibility</b>				
	<b>Client ID</b>	<b>Expenditures Paid</b>	<b>State Share</b>	<b>Period</b>
<b>Referral Agency Hopewell Public Schools or Unknown</b>	670-A	\$ 60,330.00	\$ 52,245.78	07/01/2012 - 06/30/2014
	670-B	\$ 18,350.00	\$ 15,891.10	07/01/2014 - 06/30/2015
	670-C	\$ 13,890.00	\$ 12,028.74	07/01/2014 - 06/30/2015
	670-D	\$ 50,830.00	\$ 44,018.78	07/01/2012 - 06/30/2014
	670-E	\$ 48,000.00	\$ 42,001.00	07/01/2012 - 06/30/2014
	670-F	\$ 3,700.00	\$ 3,204.20	07/01/2014 - 06/30/2015
	670-G	\$ 3,700.00	\$ 3,204.20	07/01/2014 - 06/30/2015
	670-H	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-I	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-J	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-K	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-L	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-M	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-N	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-O	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-P	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-Q	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-R	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-S	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-T	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
670-U	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015	
<b>Referral Agency - VICCA/DJJ (with no documentation of DJJ active involvement)</b>	670-V	\$ 3,700.00	\$ 3,204.20	07/01/2014 - 06/30/2015
	670-W	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-X	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-Y	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-Z	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-AA	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-AB	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-AC	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-AD	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-AE	\$ 88,010.00	\$ 75,285.66	07/01/2012 - 06/30/2015
	670-AF	\$ 21,850.00	\$ 18,922.10	07/01/2014 - 06/30/2015
	670-AG	\$ 25,250.00	\$ 21,866.50	07/01/2014 - 06/30/2015
	670-AH	\$ 11,700.00	\$ 10,132.20	07/01/2014 - 06/30/2015
	670-AI	\$ 18,300.00	\$ 15,847.80	07/01/2014 - 06/30/2015
	670-AJ	\$ 18,450.00	\$ 15,977.70	07/01/2014 - 06/30/2015
	<b>\$ 428,960.00</b>	<b>\$ 370,981.36</b>		

# EXHIBIT - B

CLIENTS ELIGIBLE FOR CSA FUNDING							
Missing Required CSA Documentation and/or Funding Authorization to Support Expenditures							
	Client ID	Eligibility	Items Missing			State Share	Period
			Documentation	Authorization	Total		
Referral Agency Hopewell Public Schools or Social Services	670-EA	Special Education	X	X	\$ 16,250.00	\$ 12,509.75	07/01/2013 - 06/30/2015
	670-EB	Special Education.	X	X	\$ 82,745.00	\$ 67,274.82	07/01/2012 - 06/30/2015
	670-EC	Special Education	X	X	\$ 36,910.00	\$ 30,467.81	07/01/2012 - 06/30/2014
	670-ED	Special Education	X	X	\$ 86,010.00	\$ 74,484.66	07/01/2012 - 06/30/2014
	670-EE	Special Education	X	X	\$ 54,500.00	\$ 47,197.00	07/01/2013 - 06/30/2015
	670-EF	Special Education.	X	X	\$ 38,950.00	\$ 31,895.30	07/01/2013 - 06/30/2015
	670-EG	Foster Care	X	X	\$ 96,905.00	\$ 83,919.73	07/01/2012 - 06/30/2015
	670-EH	Foster Care	X	X	\$ 52,782.94	\$ 45,710.03	07/01/2012 - 06/30/2015
Referral Agency - VICCCA/DJJ	670-EI	Foster Care Prevention	X	X	\$ 30,243.00	\$ 26,190.44	07/01/2013 - 06/30/2015
	670-EJ	Foster Care Prevention		X	\$ 17,800.00	\$ 15,414.80	07/01/2014 - 06/30/2015
	670-EK	Non-Mandated		X	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-EL	Non-Mandated	X	X	\$ 17,650.00	\$ 15,284.90	07/01/2014 - 06/30/2015
	670-EM	Non-Mandated	X		\$ 1,995.00	\$ 1,727.67	07/01/2012 - 06/30/2013
					<b>\$ 534,690.94</b>	<b>\$ 453,765.61</b>	

***CHILDREN'S SERVICES ACT  
PROGRAM AUDIT***

***City of Hopewell***

***Audit Report No. 02-2017***

**September 12, 2017**



**Office of Children's Services**  
Empowering communities to serve youth

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## EXECUTIVE SUMMARY

The Office of Children's Services has completed an audit of the City of Hopewell Children's Services Act (CSA) program. The City of Hopewell CSA program provided services and/or funding for approximately 87 at-risk youth and families in fiscal year 2017 (FY17). The audit included review and evaluation of management oversight, operational and fiscal practices. The City of Hopewell Community and Policy Management Team (CPMT) demonstrated the following efforts were made to ensure that services were provided to eligible youth and families.

- In FY 16, 50% of the children served had a decrease in child and adolescent needs and strength assessments (CANS) scores in the school domain, which is approximately 9% above the statewide average.
- In FY 16, approximately 77% of the youth and families received community based services. This is approximately 27% above the state target.

However, there are additional opportunities to effect quality improvement in other areas of the CSA program. The audit concluded that there were major deficiencies<sup>1</sup> in compliance and internal controls particularly in reference to operational and governance practices and fiscal activities. Conditions were identified that could adversely impact the effectiveness and efficient use of resources, as well as compliance with statutory requirements. The following significant issues were identified:

- Expenditure reimbursements were requested and processed for payment of services where the eligibility requirements for compliance with State CSA policies and procedures were not met. The City of Hopewell CSA program funded foster care services for a youth that no longer met the age requirement to access funding and services and funded services that were not included in an approved Individualized Educational Program (IEP) for a student with an educational disability. The total state share of questioned cost equals \$228,961.93.
- Documentation of service planning activities requires strengthening to ensure compliance with program requirements. Fifteen (15) case files were examined to confirm that required documentation was maintained in support of and to validate FAPT and/or multi-disciplinary team (MDT) referral and CPMT funding decisions. Omissions from client case files included measurable goals and objectives, strategies, discharge planning, consent to exchange information and evidence of parental (biological or foster parent) participation in service planning activities or consent to the service plan.
- Adequate measures have not been established and/or implemented by the City of Hopewell CPMT to evaluate and ensure accountability and effectiveness of the locally managed CSA program. While the CPMT has developed a strategic plan it does not contain Smart, Measurable, Achievable, Relevant, and Time bound (S.M.A.R.T) goals and objectives to

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<sup>1</sup> Major deficiency is defined as an internal control deficiency or combination of deficiencies that severely reduces the likelihood that the entity can achieve its' objectives." Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework, May 2013.

effectively evaluate program effectiveness. In addition, program oversight by the CPMT has not included review and/or assessment of specific reports that summarize, in aggregate, program outcomes to demonstrate accomplishment of local program goals and objectives and effectiveness of the services provided correlated with the funds expended.

The Office of Children's Services appreciates the cooperation and assistance provided on behalf of the CPMT and other CSA staff. Formal responses from the CPMT to the reported audit observations are included in the body of the full report.



Stephanie S. Bacote, CIGA  
Program Audit Manager



Annette E. Larkin, MBA  
Program Auditor



## INTRODUCTION

The Office of Children's Services has completed a financial/compliance audit of the City of Hopewell Children's Services Act program. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing (Standards). The standards require planning and performance of the audit pursuant to stated audit objectives in order to provide a reasonable basis for audit observations, recommendations, and conclusions. The audit was completed on September 12, 2017 and covered the period May 1, 2016 through April 30, 2017.

The objectives of the audit were:

- To determine whether adequate internal controls have been established and implemented over CSA expenditures.
- To determine the adequacy of training and technical assistance by assessing local government CSA staff knowledge and proficiency in implementing local CSA programs.
- To assess whether operations have maintained high standards for sound fiscal accountability and ensured responsible use of taxpayer funds by evaluating fiscal activities of the local CSA program.
- To assess the level of coordination among local government CSA stakeholders and efforts to improve CSA performance by evaluating the local CSA program's operational and utilization review practices.

The scope of the audit included youth and their families who received CSA funded services during the last two months of FY16 and the first ten months of FY17. Audit procedures performed included reviews of relevant laws, policies, procedure, and regulations; interviews with various CSA stakeholders; flowcharts of operational and fiscal processes; various tests and examination of records; and other audit procedures deemed necessary to meet the audit objectives.

## BACKGROUND

The City of Hopewell is in the Tri-Cities area of the Richmond Metropolitan Statistical Area. According to the U.S. Census Bureau, State and County Quick Facts report, the estimated population in 2016 was 22,735 and the median household income from 2011-2015 was \$39,064. Hopewell was established in 1613 and is the second oldest continuously occupied settlement in the United States.

The Children's Services Act (CSA) is a law enacted in 1993 that establishes a single state pool of funds to purchase services for at-risk youth and their families. The state funds, combined with local community funds, are managed by local interagency teams, referred to as the Community Policy and Management Teams (CPMT) which plans and oversees services to youth. The City of Hopewell CPMT has established three Family Assessment and Planning Teams (FAPT) that are responsible for recommending appropriate services to at risk children and families. The CPMT is supported administratively by a CSA Coordinator and an Administrative Assistant. Expenditure demographics for fiscal 2013 to 2016 are depicted below.

FY	Census	Census Change	Census % Change	Pool Expenditures	Expenditures \$ Change	Expenditures % Change	Unit Cost	Unit Cost % Change
2013	152	2	1	\$3,440,518	\$12,752	-20	\$15,326	-23
2014	154	2	1	\$3,653,337	\$212,819	-10	\$17,246	13
2015	172	18	12	\$4,480,837	827,500	-1	\$18,985	10
2016	126	-46	-27	\$2,664,392	-\$1,816,445)	8	\$16,898	-11

Note: Changes recorded for FY 13 are based on difference from fiscal year 2012 to 2013

FY	Pool Expenditures	
2013		\$3,440,518
2014		\$3,653,337
2015		\$4,480,837
2016		\$2,664,392

FY	Census	
2013		152
2014		154
2015		172
2016		126

FY	Unit Cost	
2013		\$22,635
2014		\$23,723
2015		\$26,051
2016		\$21,146

**MAJOR DEFICIENCIES  
OBSERVATIONS AND RECOMMENDATIONS**

**A) FISCAL ACTIVITIES**

**Observation #1:**

**Criteria:**

**Compliance and Internal Control**

Expenditure reimbursements were requested and processed totaling \$228,961.93 (state share) for payment of services where compliance with CSA statutes, policies and procedures pertaining to client eligibility to access state pool funds were not met. The case records of two (2) clients for which services were funded utilizing state pool funds were examined to validate client eligibility. Per Code Virginia (COV) § 2.2-5212, non-compliance with eligibility requirements was based on the following applicable criteria below and the specific exceptions detailed in Observations 1A and 1B:

- The child or youth requires placement for purposes of special education in approved private school educational programs, and
- For purposes of determining eligibility for the state pool of funds, “child” or “youth” means (i) a person younger than 18 years of age or (ii) any individual through 21 years of age who is otherwise eligible for mandate services of the participating state agencies including special education and foster care services.

**Observation 1A**

The approved individualized education program (IEP) did not document that extended school year (ESY) services were required for the student’s special educational placement. The FAPT case manager confirmed that the client did not require ESY services, and thus the service that was provided from June 7, 2016 through September 5, 2016 was not written in the student’s IEP. The intent of CSA is to ensure provided services are appropriate in the least restrictive environment, while protecting the welfare of children and maintaining the safety of the public. The student did not require placement for purposes of special education during the period the services was provided and therefore was not eligible to access state pool funds. The chart on the next page details the questioned costs resulting from the ineligible services funded.

**Observation 1B**

Hopewell Department of Social Services actively supported continued placement and funding of treatment foster care services for a youth older than 18 with significant intellectual disabilities. COV Section 63.2-908 provides the local Department of Social Services (LDSS) the authority to provide foster care services to a youth “in a permanent foster care placement where the child shall remain until attaining majority or thereafter, until the age of twenty-one years, if such placement is requisite to providing funds for the care of such child, so long as the child is a

participant in an educational, treatment, or training program approved pursuant to regulations of the board.” COV Section 63.2-905.1 requires that the LDSS provide independent living services to all youth turning 18 while in foster care who are not otherwise eligible for foster care services in per COV 63.2-908. VDSS issued Broadcast 9088 dated April 15, 2015 providing clarification regarding the provision of services of youth who turn 18 while in foster care. Despite the guidance issued, Hopewell DSS and the CPMT continued the placement of the youth and funding of treatment foster care without a permanent foster care agreement or coordinating independent living services. During the transition period, guardianship of the client was not awarded to the LDSS or foster parent nor was a guardian ad litem (GAL) sought to represent the client’s interest. However, the LDSS case manager continued to sign individual services plans as the legal guardian with little to no participation in service plan meetings by the youth or foster parent. Each has participated in only one FAPT meeting since the child’s 18<sup>th</sup> birthday. The chart below details the questioned costs resulting from the ineligible services funded.

<b>Questioned Costs – Ineligible Services</b>			
<b>Fiscal Year 2015 - 2016</b>			
<b>Client</b>	<b>Services</b>	<b>Total Cost</b>	<b>State Share</b>
A	Treatment Foster Care Services	\$193,266.00	\$141,721.96
	Independent Living Services	\$108,173.00	\$79,323.26
	Summer Camp	\$2,556.00	\$1,874.31
B	Congregate Education (ESY)	\$8,240.00	\$6,042.39
<b>Questioned Cost</b>			<b>\$228,961.93</b>

**Recommendations:**

- The CPMT should ensure that all requirements for eligibility in accordance with federal, state and CSA policies and procedures are met prior to accessing CSA pool funds.
- The City of Hopewell CPMT should submit a quality improvement plan, for review by the OCS Finance Office, to address whether the funds will be voluntarily restored. Upon review and recommendations presented by OCS Finance staff, the CPMT will be notified of the final determination made by the Executive Director of whether the identified actions are acceptable or any additional actions that may be required.

**Client Comment:**

“The CPMT is currently reviewing this issue and will be providing additional information related to some aspects of the finding, specifically 1) the disallowance for Independent Living Services; and 2) the timeframe established for the disallowance of Treatment Foster Care Services.”

## B) PROGRAM ACTIVITIES

Observation #2:

Criteria:

**Compliance and Internal Control – Repeat Observation**

Documentation of service planning activities requires strengthening to ensure compliance with program requirements. Fifteen (15) client case files were examined to confirm that required documentation was maintained in support of and to validate FAPT and /or multi-disciplinary team (MDT) referral and CPMT funding decisions. The results of the examination identified opportunities for improvement based on the following:

Client case files did not always contain sufficient information demonstrating compliance with CSA requirements key to the coordination and service planning by FAPT. Local policy states that the Individual Family Service Plan (IFSP) should contain measurable goals and objectives, strategies, and timeline to accomplish the stated goals to address each need identified through the assessment process. At the IFSP 90-day review, case managers are required to report on child/family progress to stated goals and objectives or provide rationale for no progress being made by the child/family along with new recommended strategies toward overcoming these barriers to making progress. Documentation missing from case files reviewed and/or data elements omitted from the IFSP are documented in the table below:

Description	# of Cases	Error Rate
Parental (biological or foster parent) participation in service planning activities and/or consent to the service plan	4/15	27%
Measurable goals and objectives, strategies, and/or discharge planning <b>(Repeat)</b>	4/15	27%
Consent to exchange information form (missing, expired or incomplete) <b>(Repeat)</b>	3/15	20%

Insufficient data collection and poor document management in service planning may lead to increased operational and fiscal inefficiency and ineffectiveness of the local program. Further, this condition fosters an environment that makes the program more susceptible to potential loss of accessibility to State funding in support of local programs as a result of non-compliance with CSA statutes regarding service planning and access to pool funds.

The non-compliance observations referenced in this report were also identified in the CSA audit conducted in 2013 of the City of Hopewell CSA program. The Hopewell CSA Office subsequently reported to OCS that the quality improvement plan submitted in response to the observations reported had been implemented. The CPMT, as the governing body, is responsible for on-going monitoring of the quality improvement plan to ensure timely implementation of the plan and the actions taken are continuously working as intended.

### Recommendations:

- The FAPT and/or the CSA Coordinator should ensure that minimum documentation requirements are met and maintained in client case files. Key documents include but are not limited to: completed consent to exchange information forms. In addition, IFSPS should contain measurable goals and objectives, strategies, and discharge planning.
- As required by CSA statute, the CPMT should ensure families (biological, foster, or any other natural supports) are involved in all aspects of service planning and implementation of services.
- Periodic case file reviews should be performed at least annually to establish quality control of client records and to ensure compliance with CSA statutory requirements.
- The CPMT should monitor the implementation of all quality improvement plans and ensure the intended changes are operating as intended.

### Client Comment:

“CPMT concurs. CPMT will develop a plan that puts stronger controls in place to ensure the listed concerns are not repeated.”

## C) CPMT GOVERNANCE

### Observation #3:

#### Criteria:

#### Compliance and Internal Control – Repeat Observation

Adequate measures have not been established and/or implemented by the City of Hopewell CPMT to evaluate and ensure accountability and effectiveness of the locally managed CSA program. Opportunities for improvement were noted based on instances of non-compliance with CSA statutory requirements and internal control weaknesses identified as follows:

- While the CPMT has developed a strategic plan, it does not incorporate S.M.A.R.T. goals and objectives to effectively evaluate program effectiveness (see depiction below). The current plan approved by the CPMT features outputs and activities that lack: (1) clear, tangible details that are relevant to the established goals/objectives, (2) specific benchmark/baseline for measuring progress, and (3) target dates for completion. While the current plan was achievable, the stated goals, objectives, output/strategies, and activities were not challenging. An excerpt from the Hopewell CSA Goals and Strategies is shown on the next page.





**Excerpted from Hopewell CSA Goals and Strategies**

GOAL	OBJECTIVE	OUTPUT/ STRATEGY	ACTIVITIES
Hopewell Children’s Services Agency will implement a collaborative means by which the needs of local youth and families served by CSA can be assessed for critical needs.	Ensure that services and funding are consistent with the Commonwealth’s policies of preserving families and providing appropriate services in the least restrictive environment, while protecting the welfare of children and maintain the safety of the public.	CPMT and FAPT will assemble each July to discuss and restructure the mission and vision of CSA as needed.	CPMT will develop a strategic plan and long-term goals for CSA.

- Program oversight by the CPMT has not included review and/or assessment of specific reports that summarize, in aggregate, program outcomes to demonstrate accomplishment of local program goals and objectives and effectiveness of the services provided correlated with the funds expended. Moreover, the CPMT has not reviewed local and statewide data provided in the management reports on the number of children served, children placed out of state, demographics, types of services provided, duration of services, child and family outcomes, and performance measures. The CPMT had not tracked the utilization and performance of residential placements using data and management reports to develop and implement strategies for returning children placed outside of the Commonwealth, preventing placements, and reducing lengths of stay in residential programs for children who can appropriately and effectively be served in their home, relative's homes, family-like setting, or their community.

This observation was also identified in the CSA audit conducted in 2013 of the City of Hopewell CSA program. The Hopewell CSA Office subsequently reported to OCS that the quality improvement plan submitted in response to the observations reported was in progress. The CPMT, as the governing body, is responsible for on-going monitoring of the quality improvement plan to ensure timely implementation of the plan and the actions taken are continuously working as intended.

The ability of the City of Hopewell CPMT to adequately monitor and provide oversight of the local CSA program is an essential component of organizational governance. The absence of formal program evaluation activities to ensure that the goals and objectives of the program are met ultimately impacts the CPMT efforts to better serve the needs of youth and families in the community and to maximize the use of state and community resources.

#### Recommendations:

- The CPMT should incorporate S.M.A.R.T. goals and objectives within their strategic plan to facilitate effective and meaningful overall evaluations of the Hopewell CSA program.
- The CPMT should track and report on their progress in meeting their strategic goals and objectives to all stakeholders at least annually to bring about further awareness of the CSA program and to evidence a formal program evaluation activity.
- The CPMT should periodically review local and statewide data provided in OCS management reports located on the CSA website, specifically but not limited to CSA:
  - **CSA Performance Measures for FY 2015 and FY 2016** (web link)
  - **Performance Dashboard** (web link)
  - **Data Set Reports** (web link)
  - OCS Reports to the General Assembly (web link: <http://www.csa.virginia.gov/OCSDData/ReportsPublications>)

#### Client Comment:

“CPMT concurs with the findings and will work to strengthen the strategic plan.”

#### Observation #4:

##### Criteria: **Compliance and Internal Control – Repeat Observation**

Written policies and procedures are not consistent with State statutes, established state CSA guidance, and/or best practices which direct the CPMT to ensure that procedures are established to govern local CSA programs. A review of City of Hopewell CPMT policies and procedures manual noted the following criteria were not met and opportunities for improvement.

- The policies and procedures manual has not been updated since May 2014;
- Policies have not been established to govern records management/retention.
- While there is a policy governing Intensive Care Coordination (ICC), it does not align with the high fidelity wraparound (HFW) model adopted by the State Executive Council (SEC) in April 2013. In addition, Hopewell CSA provided a Memorandum of Agreement with District 19 Community Service Board (CSB) to provide ICC services. However, the MOA and the scope of services has not been updated since March 2011 and does not address the provisions necessary to fulfill the requirements of the HFW model. The current ICC policy adopted by the SEC removed the limitation of ICC services only being provided through the



CSB. ICC services may be provided by any provider trained in the high fidelity wraparound model.

Outdated policies and procedure increases the likelihood of employee's action being out of compliance with statutory requirements. As a best practice, policies and procedures should be reviewed at least annually and updated as needed.

The non-compliance observation pertaining to ICC was also identified in the CSA audit conducted in 2013 of the City of Hopewell CSA program. The Hopewell CSA Office subsequently reported to OCS that the quality improvement plan submitted in response to the observation reported was in progress. The CPMT, as the governing body, is responsible for ongoing monitoring of the quality improvement plan to ensure timely implementation of the plan and the actions taken are continuously working as intended.

#### **Recommendations:**

The CPMT should initiate an immediate review of their policies and procedures and update the policies where applicable to ensure full compliance with all Code of Virginia (COV) and CSA mandates and best practices.

#### **Client Comment:**

"The CPMT will update the Policy and Procedure manual to reflect current regulations within a time frame negotiated with OCS."

#### **Observation #5:**

##### **Criteria:**

##### **Compliance and Internal Control**

Internal controls established by CSA statutes were not effectively implemented by the CPMT in order to safeguard against conflicts of interest pertaining to the referral of services and approval of access to CSA pool funds by eligible youth and their families. Non-public members serving on the CPMT and FAPT did not complete the Statement of Economic Interest (SOEI) form as required by statute. In addition, CPMT did not verify that team members representing public agencies that were required to file such forms complied with the requirement. Based on the increased possibility that required parties may not have appropriately disclosed personal interests the effectiveness of the controls to ensure accountability and appropriate use of CSA pool funds could be significantly reduced.

#### **Recommendations:**

The CPMT should ensure that the SOEI forms are completed immediately for all non-public members serving on the CPMT and FAPT, and verify that all public members on CPMT required to complete the form as a condition of employment have complied with the statute. They should also ensure that disclosure statements are completed annually thereafter, by the established due date of February 1<sup>st</sup>.

**Client Comment:**

“CSA Manager will ensure that all persons representing non-public agencies will sign a confidentiality statement and statement of economic interest before serving as members of CPMT and FAPT.”

**Observation #6:****Criteria:****Compliance and Internal Control**

The composition of members serving on Hopewell CPMT and FAPT does not meet the membership requirements established by CSA statute and local policy. Hopewell CPMT does not have a representative from the Health Department and the FAPT is missing the parent representative. The absence of the Health Department and the parent representative from the responsible for the administration and implementation of the local CSA could potentially impede the achievement of the highest degree of multi-disciplinary collaboration as oversight, governance, and service planning are contingent upon active participation by all required members.

**Recommendations:**

The CPMT should secure a representative from the Health Department to serve on the CPMT and appoint a parent representative to serve on FAPT in accordance with statute and local policy.

**Client Comment:**

“Representation on the CPMT has been requested from the Hopewell Health Department. Hopewell has continually struggled to find consistent parent representation on FAPT. We will continue to reach out to parents and try to secure a parent representative.”

**OTHER DEFICIENCIES  
OBSERVATIONS AND RECOMMENDATIONS**

**D) FISCAL ACTIVITIES****Observation #7:****Criteria:****Internal Control – Repeat Observation**

Adequate measures were not always consistently applied to ensure effective and efficient use of financial resources that could be used to offset the costs incurred for CSA pool funded services. Based on the results of the fifteen (15) client case files reviewed, the following two (2) missed opportunities were identified:

- An assessment of parental ability to share financial responsibility for non-educational costs associated with services provided to an eligible youth meeting the special education mandate criteria for special education wraparound funding was not documented. The non-compliance observation pertaining to parental co-pay assessments was also identified in the CSA audit conducted in 2013 of the City of Hopewell CSA program. The Hopewell CSA Office subsequently reported to OCS that the quality improvement plan submitted in response to the observation reported was implemented. The CPMT, as the governing body, is responsible for on-going monitoring of the quality improvement plan to ensure timely implementation of the plan and the actions taken are continuously working as intended.
- Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program was not explored as a possible funding source for a client that may have been eligible for the program. EPSDT is a comprehensive and preventive child health program for individuals under the age of 21 who are Medicaid/Family Access to Medical Insurance Security Plan (FAMIS) eligible and require specialized services which are medically necessary treatment services that are not a routinely covered service through Virginia Medicaid. The Appropriations Act requires Community Policy and Management Teams (CPMT) to utilize Medicaid-funded services whenever they are available for the appropriate treatment of children and youth receiving services under the CSA. Had the FAPT and CPMT explored this funding source and the youth determined eligible for the program, the Hopewell CSA program could have saved \$20,820 in state and local dollars expended during the period May 1, 2016 – April 30, 2017.

The opportunity lost for collection of additional funds through the assessment/collection of parental co-pay or utilizing other funding streams is significant and could materially impact the local program's ability to increase funding availability for services required to meet the needs of the community.

#### **Recommendations:**

- The CPMT should ensure that the FAPT and the CSA Coordinator documents parental ability to pay, supported by verification of stated income or certification stating indigent status. The amount assessed should be reported to the CPMT along with the request for approval for funding of FAPT referred services. Such documentation should be retained in the case file for the required records retention period.
- The CPMT should ensure all appropriate Medicaid funded services have been explored prior to authorizing expenditures for pool fund reimbursement.

#### **Client Comment:**

“The CPMT will ensure that all appropriate fund sources are explored and utilized before accessing CSA pool funds. In addition, CSA Manager will ensure that all parents/guardians are assessed a co-pay before any co-pay eligible services begins.”

**Observation #8:****Criteria:****Internal Control**

A formal process has not been established for the reconciliation of CSA reported balances to the locality's reported general ledger account balances. Standard industry best practices dictate cash receipts, appropriations, expenditures, adjustments, and fund balances are formally reconciled at least monthly, but no less than annually. Monthly reconciliations further enhance the reliability of information pertaining to the availability of pool funds and the financial position of the CSA program that is used for management decision-making.

**Recommendations:**

The CPMT should ensure that a process is established for fully reconciling CSA fund balances periodically, to include appropriations, expenditures, revenues, adjustments, and cash (where applicable) with local government general ledger accounts.

**Client Comment:**

"The CPMT is working with the City of Hopewell to establish a process for reconciliation of CSA reported balances."

## CONCLUSION

Our audit concluded that there were major deficiencies in compliance and internal controls over the City of Hopewell CSA program, particularly in reference to operational and governance practices and fiscal activities. Conditions were identified pertaining to programmatic/statutory compliance, operating, and fiscal practices of the locally administered program that could adversely impact the effective and efficient use of resources, as well as compliance with statutory requirements. An exit conference was conducted on Monday, August 21, 2017, to present the audit results to the City of Hopewell CPMT. Persons in attendance representing the City of Hopewell CPMT were as follows:

Diana Barnes, CPMT Chair,  
Dr. Shelia Bailey, Public Schools  
Tim Beard, Court Service Unit  
Ray Spicer, Social Services, (Former CPMT Chair)  
Melissa Dennis, CPMT Parent Representative  
Lauren Hovis, Private Provider Representative  
Wanda Brown, CSA Manager  
Christene Teasley, CSA Administrative Assistant

Representing the Office of Children's Services was Annette Larkin, Program Auditor. We would like to thank the City of Hopewell Community Policy and Management Team and related CSA staff for their cooperation and assistance on this audit.

**REPORT DISTRIBUTION**

Scott Reiner, Executive Director  
Office of Children's Services

Charles E. Dane, Assistant City Manager  
City of Hopewell

Diana Barnes, CPMT Chair

Lance Wolff, Interim Director of Finance  
CPMT Fiscal Agent

Wanda Brown, CSA Manager

SEC Finance and Audit Committee



***CHILDREN'S SERVICES ACT  
PROGRAM AUDIT***

***City of Hopewell  
Special Review***

***Audit Report No. 01-2016***

***November 3, 2017***



**Office of Children's Services**  
Empowering communities to serve youth

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# HOPEWELL CSA SPECIAL REVIEW – REPORT SUMMARY

## CHRONOLOGY

Date	Event Description
6/5/2015	OCS Executive Director receives notification from the Department of Medical Assistance Services (DMAS) concerning activities in Hopewell which may involve the CSA program's use of mentoring services, which were provided concurrently with community-based Medicaid eligible services.
7/1/2015	Interagency collaboration and coordination of efforts regarding concerns of non-compliance and misuse of CSA and Medicaid funds. Agencies represented included: OCS, DMAS, Department of Behavioral Health and Developmental Services (DBHDS), Office of the Attorney General, Medicaid Fraud Control Unit (MFCU), and Magellan of Virginia.
7/20/2015	OCS Executive Director receives an anonymous complaint alleging non-compliance and inappropriate use of CSA funds.  OCS Program Auditors notified Hopewell CSA's CPMT Chair of intent to initiate a review of the Hopewell CSA program.
7/28/2015 - 7/30/2015	Onsite audit fieldwork began. At the conclusion of the onsite fieldwork, OCS Program Auditors provided an informal debriefing to the full CPMT of potential non-compliance areas. Details of audit procedures and results are noted in the body of the full report.
8/5/2015	OCS Program Auditors notified Hopewell CSA's CPMT Chair, Fiscal Agent, and CSA Coordinator of preliminary observations and requested additional information needed to complete the review.
01/14/2016	OCS was advised to suspend review until further notice due to coordinated and ongoing investigations by other state and federal agencies that were yet to be concluded.
10/12/2017	OCS was advised to resume the special review.

# HOPEWELL CSA SPECIAL REVIEW – REPORT SUMMARY

## AUDIT PROCEDURES

1. Policy/Procedure Reviews. Reviewed the Code of Virginia Children’s Services Act (§ 2.2-5200 et seq.), CSA Policy Manual, and City of Hopewell CSA Program Policies and Procedures Manual (Amended May 2014). The documents were reviewed to establish the following:
  - A. Eligibility criteria to access CSA pool funds.
  - B. Policies and procedures governing CSA referrals and funding authorizations.
  - C. Policies and procedures governing contracting and purchase of services.
  - D. CPMT monitoring/oversight activities to ensure appropriateness of services and accountability of funds.
  
2. Assessment of CPMT Oversight Activities. Reviewed CPMT meeting minutes for fiscal years 2013 through 2015. Documents were utilized in search of evidence of the CPMT’s engagement in oversight activities such as policy/procedure development and/or reviews; coordination of long-range planning; utilization review/utilization management; evaluations of fiscal and program performance outcomes; authorization of funding for services recommended by the Family Assessment and Planning Team (FAPT); and implementation of quality improvement plan tasks related to deficiencies noted in the prior audit engagement.
  
3. Analyses. Obtained and reviewed fiscal and performance management reports from the OCS website for FY 2013-2015, as well as general ledger/accounts payable reports provided by Hopewell’s Finance office indicating payments for mentoring services. Documents were reviewed to identify trends/outliers particular to the Hopewell CSA program.
  
4. Interviews. Conducted interviews with the CSA Coordinator and Fiscal Agent to obtain additional information and/or clarification regarding the documentation used in the verification of client eligibility, evidence of required service planning activities and funding authorizations; and determinations of fiscal impact. Communications were exchanged (in-person, email, or by phone) on numerous occasions from July 20, 2015 through December 18, 2015.
  
5. Client Records Reviews. Reviewed a sample consisting of fifty (50) client records for which community based services were funded during the period July 1, 2012 through June 30, 2015. Client records were examined to verify compliance with CSA requirements governing eligibility to access state pool funds and documentation of justification for services recommended and funded. File contents such as: Individual and Family Services Plans (IFSP), Individualized Education Program (IEP), Child and Adolescent Needs and Strengths Assessments (CANS), vendor treatment plans, vendor progress notes, utilization review reports, consent to exchange information, Child in Need of Services (CHINS) determinations, vendor purchase orders and invoices, etc. were closely scrutinized in the application of CSA eligibility criteria and verification that required compliance requirements were met. Traced services denoted in the IFSP and/or IEP to CPMT minutes to confirm funding approvals.
  
6. Financial Reporting Evaluation. Obtained general ledger account codes used in the locality’s accounts payable ledgers and subsequently recorded in the applicable expenditure categories of the CSA Pool Fund Reimbursement Reports. Along with vendor invoices, assessed whether expenditures were properly recorded as “sum sufficient” or “non-sum sufficient”.



# HOPEWELL CSA SPECIAL REVIEW – REPORT SUMMARY

## AUDIT OBSERVATIONS AND RESULTS

<b>Observation 1</b>	<p>The City of Hopewell CSA Program improperly expended \$428,960.00 and was reimbursed the state share of \$370,981.36 funds in the purchase of services for ineligible clients. Based upon application of the criteria established by the Code of Virginia (COV) § 2.2-5212 (Eligibility for state pool of funds), 36 clients with services funded by the state pool were determined ineligible for this funding. Fifteen (15) of those 36 clients were referred by the Virginia Juvenile Community Crime Control Act (VJCCCA)/Department of Juvenile Justice (DJJ).</p> <p>There was no documentation of either “sum sufficient” or “non-sum” sufficient eligibility. Extensive reviews were conducted of client case files that included: (1) examination of file documentation such as IFSPs and CANS assessments, (2) interviews with the CSA Coordinator, (3) verifications with the Department of Juvenile Justice of client referrals where indicated, (4) and consultation with OCS Program Consultants for further validation of conclusions.</p> <p>Exhibit A on page 8 provides a detailed breakdown of the referral source and period covered.</p>
<b>Observation 2</b>	<p>The City of Hopewell CSA Program improperly expended \$534,690.94 and was reimbursed the state share of \$453,765.61 funds for the purchase of services for thirteen (13) CSA eligible clients where it was determined that required CSA documentation and funding authorization to support expenditures could not be located, and thus audit verification procedures could not be performed.</p> <p>The auditor reviewed client case files for verification that services were recommended by the Family Assessment and Planning Team (FAPT) and documented in an approved service plan (IFSP) evidenced by FAPT signatures per COV § 2.2-5208. CPMT minutes and supplemental spreadsheets of services recommended for funding were closely examined to established that funding of services recommended were properly authorized per COV § 2.2-5206. The spreadsheets presented to the CPMT and the authorizations noted in the meeting minutes did not always include community-based services regardless of whether expenditures were classified as “sum sufficient” or “non-sum sufficient”. When discussing audit concerns with the full CPMT about spreadsheets presented to CPMT for funding authorization, the CPMT appeared unaware that community-based services recommended were not included. In addition, CPMT’s monitoring activities did not include any reconciliation and/or analysis of total funding authorizations to actual expenditures paid.</p> <p>Exhibit B on page 9 provides a detailed breakdown of the referral source and period covered.</p>

<b>Observation 3</b>	<p>In FY 2015, the City of Hopewell CSA Program exceeded its established limit for the use of protected state pool funds to provide funding for services for clients that did not meet the criteria for “sum sufficient” eligibility. Hopewell was allocated \$71,270 in protected funds for FY 2015 per Section 4.5.1 of the Children’s Services Act Policy Manual, “Protected Funds” (Adopted 1994, Revised 1995, 1996, 1997). However, actual expenditures totaled \$144,291 resulting in an over expenditure of \$73,021. A significant portion (\$59,450) this amount is a direct result of expenditures incurred for clients that were ineligible to access state pool funds and/or where funding authorizations could not be validated (Observations 1 and 2). Less those previously identified unallowable costs, the balance of the remaining overspend of protected funds is \$13,571.00 and the state share totals \$11,752.49.</p>
<b>Observation 4</b>	<p>Fiscal processes and payment practices of the Hopewell CSA program created an environment conducive to questionable billing practices by the vendor most frequently utilized to provide mentoring services. Poor fiscal practices impacting the CSA program’s funds management included:</p> <ul style="list-style-type: none"> <li>• Invoicing for periods prior to the start date indicated in the IFSP and/or billing for more hours than specified in the service plan. Billing adjustments and/or refunds were not requested by Hopewell CSA. <p style="margin-left: 40px;"><i>Example 1: Vendor offers a summer camp program from 7/7/14 – 8/22/14. The IFSP states that services are to be provided 7/21/14 - 8/22/14. The dates of service listed on the invoice are 7/7/14 – 8/22/14 instead of 7/21/14 – 8/22/14. Estimated Cost \$1,250</i></p> <p style="margin-left: 40px;"><i>Example 2: Vendor invoiced for 10 hours per week rather than the 6 hours per week stated in the IFSP. Estimated Cost. \$5,500</i></p> </li> <li>• The vendor remitted invoices requesting payment prior to the end of the period for which services were to be rendered. Hopewell CSA office improperly submitted the invoices to the finance office for payment without verification that the services billed had been received. <p style="margin-left: 40px;"><i>Example 3: Vendor invoice dated 8/12/14. Service dates were indicated as 8/4/14 – 8/22/14. Invoice was marked as received and approved for payment on 8/13/14, at least 9 days before the services were scheduled to be completed.</i></p> </li> <li>• Purchase orders were not prepared by the CSA Office until after services were initiated and the vendor invoices were received. This issue was raised in a prior audit (9/25/2013). When interviewed, the former CSA Coordinator and CPMT Fiscal Agent cited the aging financial accounting system as the cause and noted that a new system would be installed. The auditor confirmed that a new financial accounting system was actively in use. However, the process for completing purchase orders timely remained unchanged.</li> </ul> <p>The current CSA Coordinator and CPMT Fiscal Agent were interviewed and were asked to provide an explanation for why such practices were permitted. The CSA Coordinator was new to the role and deferred to the CPMT Fiscal Agent, who was unable to provide sufficient justification for the breakdown in fiscal controls that are widely accepted as standard industry best practices.</p>

**Observation 5**

The review also included a follow-up of our previous audit (report dated 9/25/2013) to determine whether the quality improvement plan that was provided by the Hopewell CPMT had been implemented satisfactorily. The quality improvement plan identified specific tasks that were to be completed by July 1, 2014 to address reported deficiencies. Based on the results of our current onsite fieldwork that covered fiscal years 2013 to 2015, the following exceptions represent repeat audit observations for which quality improvement tasks have not been implemented:

- Documentation of service planning activities requires strengthening to ensure compliance with program requirements. Client case files did not include the following required documents: IFSPs, CANS assessments, consent to exchange information, utilization reviews, vendor treatment plans, vendor progress reports, vendor invoices, purchase orders, evidence of parental involvement.
- Utilization management/utilization review of residential facilities were not performed in accordance with locally established policies and procedures.
- Local policies and procedures governing the provision of Intensive Care Coordination (ICC) services have not been established.
- Assessment of parental contributions were not documented to evidence parental ability to share financial responsibility for costs associated with services provided to eligible youth.
- Hopewell CSA Program's philosophy, ethics, goals, objectives, policies, procedures, and performance metric/outcomes are not effectively communicated to stakeholders.

Given that the same deficiencies exists two years after the prior audit, this represents an extended period where management's action in response to significant risk exposures (i.e. non-compliance and internal control weaknesses) has been delayed. The purpose of the quality improvement plan is to ensure management takes appropriate action to resolve deficiencies in a timely manner. The CPMT, as the governing body, is responsible for on-going monitoring of the quality improvement plan to ensure the implementation of the plan and that actions taken are working as intended.



# HOPEWELL CSA SPECIAL REVIEW – REPORT SUMMARY

## CONCLUSION

Our audit concluded that there were major deficiencies<sup>1</sup> in compliance and internal controls in the Hopewell CSA program. There were a series of serious shortcomings in governance, fiscal and operational practices that fueled an environment conducive to non-compliance with state and local CSA statutes, policies, and procedures and the resulting misuse of CSA funds. However, poor oversight and monitoring of the program by the CPMT is the most notable. During an informal debriefing with the full CPMT, members acknowledged that even after receipt of the prior audit report that they relied extensively on the former CSA Coordinators’ knowledge and experience that CSA compliance requirements were being met.

The inadequate day-to-day management of the CSA program by the former CSA Coordinator and subsequent failures in oversight by the CPMT adversely impacted effective and efficient use of resources, accomplishment of program objectives, and compliance with statutory requirements. Comparative and trend analysis of fiscal and management reports highlight examples that link areas of non-compliance and fiscal mismanagement:

- Total expenditures increased 23% (\$827,500) from 2014 to 2015. However, 39% of the expenditure increase can be attributed to the average amount of unallowable expenditures identified in the special review (\$325,740.65 per year). Excluding the unallowable expenditures, the increase in expenditures from 2014 to 2015 would have been 14% rather than 23%.
- From 2013 to 2015, the average number of children served annually was 159. Based on the sample (50) of client files selected, community-based mentoring services were funded for at least 31% of the client population. However, it was determined that 36 (72%) of those 50 clients were ineligible.
- The average duration of community based services increased 51 days from 276 in 2014 to 327 in 2015. Of the client case files examined, mentoring services were provided from seven (7) weeks to three (3) years.
- In 2015, the use of community based services was 24% higher than the statewide average while the percent of youth with a decrease in CANS Child Behavior/Emotional Needs domain was 3.7% below the statewide average. Child behavior/emotional concerns were most often indicated in the IFSP as the justification for community-based mentoring services.
- Fifteen percent (\$672,200) of the total expenditures in 2015 were paid to one vendor, which was the primary provider of mentoring services for youth determined ineligible or where required CSA documentation and funding authorization to support expenditures were missing. This was a 24% increase over the amount paid to the same provider in 2014.

<b>Funds Identified for Recovery</b>	<b>\$836,499.46 (state share of \$977,221.94 in unallowable CSA expenditures)</b>
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<sup>1</sup> Major deficiency is defined as an internal control deficiency or combination of deficiencies that severely reduces the likelihood that the entity can achieve its’ objectives.” Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Integrated Framework, May 2013.

# HOPEWELL CSA SPECIAL REVIEW – REPORT SUMMARY

## RECOMMENDATIONS

### Office of Children’s Services:

The City of Hopewell should be denied \$836,499.46 (state share) in accordance with State Executive Council (SEC) Policy 4.6 (Denial of Funds) due to violations of Virginia law and CSA policy. This amount should be recovered from future requests for state CSA reimbursements.

### Hopewell Community Policy and Management Team:

The Hopewell Community Policy and Management Team should prepare and submit a quality improvement plan addressing the audit observations included in this report within 30 days of receipt of this report. The plan should identify tasks to be completed, responsible party for monitoring implementation, and target date for completion. Suggestions of areas to be addressed include:

- Review existing fiscal and program policies, procedures and practices and revise where necessary to ensure state and local program and fiscal compliance requirements are met, to include but not limited to:
  - FAPT referrals,
  - Parental contribution assessments,
  - FAPT service planning,
  - CPMT authorization of funding,
  - Utilization reviews and Utilization management,
  - Quality assurance reviews (by someone other than CSA Coordinator),
  - Records management and retention
  - Expenditure payment processing/documentation,
  - Fund balance reconciliations and financial reporting, and
  - CPMT governance activities (frequency of meetings, review of financial/performance monitoring reports in aggregate and/or child-specific, validation of integrity/accuracy of information used in decision making).

The tasks identified should address the manner in which service planning recommendations, funding authorizations, and other governance actions conducted by the CPMT can be substantiated.

- Establish a formal training program and implement periodic and ongoing training for all CSA stakeholders (CPMT, FAPT, Case Manager, Families, etc.).
- On an ongoing basis, the CPMT should monitor the progress of all quality improvement plans to ensure timely implementation of tasks identified and that control activities are operating as intended. It should be noted that A full financial/compliance audit was completed by OCS of the Hopewell CSA (September 12, 2017) for which a quality improvement plan was required that addressed similar exceptions noted in this report.



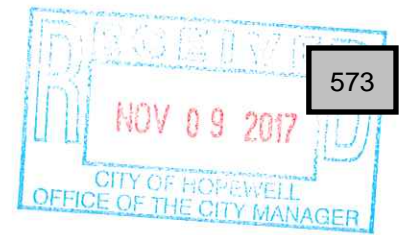
# EXHIBIT - A

CLIENTS INELIGIBLE FOR CSA FUNDING				
No Documentation of Eligibility				
	Client ID	Expenditures Paid	State Share	Period
Referral Agency Hopewell Public Schools or Unknown	670-A	\$ 60,330.00	\$ 52,245.78	07/01/2012 - 06/30/2014
	670-B	\$ 18,350.00	\$ 15,891.10	07/01/2014 - 06/30/2015
	670-C	\$ 13,890.00	\$ 12,028.74	07/01/2014 - 06/30/2015
	670-D	\$ 50,830.00	\$ 44,018.78	07/01/2012 - 06/30/2014
	670-E	\$ 48,000.00	\$ 42,001.00	07/01/2012 - 06/30/2014
	670-F	\$ 3,700.00	\$ 3,204.20	07/01/2014 - 06/30/2015
	670-G	\$ 3,700.00	\$ 3,204.20	07/01/2014 - 06/30/2015
	670-H	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-I	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-J	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-K	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-L	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-M	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-N	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-O	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-P	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-Q	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-R	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-S	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-T	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
670-U	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015	
Referral Agency - VICCA/DJJ (with no documentation of DJJ active involvement)	670-V	\$ 3,700.00	\$ 3,204.20	07/01/2014 - 06/30/2015
	670-W	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-X	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-Y	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-Z	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-AA	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-AB	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-AC	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-AD	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-AE	\$ 88,010.00	\$ 75,285.66	07/01/2012 - 06/30/2015
	670-AF	\$ 21,850.00	\$ 18,922.10	07/01/2014 - 06/30/2015
	670-AG	\$ 25,250.00	\$ 21,866.50	07/01/2014 - 06/30/2015
	670-AH	\$ 11,700.00	\$ 10,132.20	07/01/2014 - 06/30/2015
	670-AI	\$ 18,300.00	\$ 15,847.80	07/01/2014 - 06/30/2015
670-AJ	\$ 18,450.00	\$ 15,977.70	07/01/2014 - 06/30/2015	
	<b>\$ 428,960.00</b>	<b>\$ 370,981.36</b>		



# EXHIBIT - B

CLIENTS ELIGIBLE FOR CSA FUNDING							
Missing Required CSA Documentation and/or Funding Authorization to Support Expenditures							
	Client ID	Eligibility	Items Missing			State Share	Period
			Documentation	Authorization	Total		
Referral Agency Hopewell Public Schools or Social Services	670-EA	Special Education	X	X	\$ 16,250.00	\$ 12,509.75	07/01/2013 - 06/30/2015
	670-EB	Special Education.	X	X	\$ 82,745.00	\$ 67,274.82	07/01/2012 - 06/30/2015
	670-EC	Special Education	X	X	\$ 36,910.00	\$ 30,467.81	07/01/2012 - 06/30/2014
	670-ED	Special Education	X	X	\$ 86,010.00	\$ 74,484.66	07/01/2012 - 06/30/2014
	670-EE	Special Education	X	X	\$ 54,500.00	\$ 47,197.00	07/01/2013 - 06/30/2015
	670-EF	Special Education.	X	X	\$ 38,950.00	\$ 31,895.30	07/01/2013 - 06/30/2015
	670-EG	Foster Care	X	X	\$ 96,905.00	\$ 83,919.73	07/01/2012 - 06/30/2015
	670-EH	Foster Care	X	X	\$ 52,782.94	\$ 45,710.03	07/01/2012 - 06/30/2015
Referral Agency - VICCCA/DJJ	670-EI	Foster Care Prevention	X	X	\$ 30,243.00	\$ 26,190.44	07/01/2013 - 06/30/2015
	670-EJ	Foster Care Prevention		X	\$ 17,800.00	\$ 15,414.80	07/01/2014 - 06/30/2015
	670-EK	Non-Mandated		X	\$ 1,950.00	\$ 1,688.70	07/01/2014 - 06/30/2015
	670-EL	Non-Mandated	X	X	\$ 17,650.00	\$ 15,284.90	07/01/2014 - 06/30/2015
	670-EM	Non-Mandated	X		\$ 1,995.00	\$ 1,727.67	07/01/2012 - 06/30/2013
					<b>\$ 534,690.94</b>	<b>\$ 453,765.61</b>	



# COMMONWEALTH of VIRGINIA

## OFFICE OF CHILDREN'S SERVICES *Administering the Children's Services Act*

SCOTT REINER, M.S.  
Executive Director

November 8, 2017

Mr. Charles E. Dane, Interim City Manager  
City of Hopewell  
100 E. Broadway  
Hopewell, VA 23860

SUBJECT: Hopewell CSA Program Special Review

Dear Mr. Dane:

The Office of Children's Services (OCS) has completed a special review/investigation of the Hopewell Children's Services Act (CSA) Program. The nature of the review related to alleged non-compliance with the Children's Services Act and the misuse of state CSA funds. This review was limited in scope to the use of community-based services and a follow-up the prior audit conducted by OCS in 2013 to assess the status of corrective actions taken to address the reported deficiencies. This review covered the period July 1, 2012 through June 30, 2015 and encompassed fifty (50) client case files indicating that community-based mentoring services were funded using state pool funds.

Based upon the results of the special review, we have concluded that there was sufficient evidence of non-compliance with the Children's Services Act and misuse of related funding. Consequently, the City of Hopewell CSA Program improperly incurred expenditures totaling \$977,221.94 for which the locality was subsequently reimbursed the state share of the costs incurred equaling \$836,499.46. While numerous instances of non-compliance were identified and are detailed in the associated report, the examples below best illustrate the fiscal impact of the misuse of CSA funding:

- Code of Virginia § 2.2-5212 establishes the eligibility criteria to access the state pool of funds. Based on established criteria, 72% (36 of 50) of the reviewed (and funded) clients were not eligible to access CSA pool funds. There was no documentation of either "sum sufficient" or "non-sum sufficient" eligibility. CSA funds expended on these clients totaled \$428,960 of which \$370,981.36 represents the state share reimbursement of the unallowable expenditures.
- Required CSA documentation (State Executive Council Policy 3.5, "Records Management") and funding authorizations (Code of Virginia § 2.2-5206 (9)) to support expenditures could not be located, and thus verifications could not be completed for 26% (13 of 50) of the client case files reviewed. Unallowable expenditures totaled \$534,690.94 of which the state share reimbursement is \$453,765.61.

Mr. Charles Dane, Interim City Manager  
Hopewell CSA Special Review  
November 8, 2017  
Page 2

- Hopewell CSA overspent their allocation of protected funds (non-sum sufficient) in Fiscal Year 2015 by \$73,021, which included \$59,450 directly related to client cases determined to be ineligible to access pool funds and/or for which required CSA documentation and funding authorizations to support expenditures could not be verified. Less the questioned costs previously identified, the remaining amount of overspend is \$13,571 and the state share of responsibility is \$11,752.49.

The details of the procedures performed to determine the validity of the allegations are included in the report summary attached.

Please contact me at your earliest convenience to schedule a meeting to discuss the next steps toward resolution of this matter.

Sincerely,



Scott Reiner  
Executive Director

Attachment: Hopewell Special Review Report Summary



**Office of Comprehensive Services**  
**CSA Program Audits**  
**Audit Name: City of Hopewell CSA Program**  
**Audit No: 02-2017; Period: 5/1/16 -4/30/17**

**MANAGEMENT DISCUSSION POINTS**

Prepared By: Annette E. Larkin

Date Prepared: 8/3/2017

<b>Discussion Point #:</b>	<b>MDP 6</b>	<b>Final Disposition:</b> <input checked="" type="checkbox"/> <b>Verbal</b> <input type="checkbox"/> <b>Report</b> <input type="checkbox"/> <b>Dropped</b>
<b>Cross References:</b>	<b>D.2.1</b>	Explanations for verbal/dropped: Exceptions do not significantly impede accomplishment of agency objectives; however, management must be made aware to further enhance existing internal controls.
<b>Condition/ Control Weakness</b>	<ul style="list-style-type: none"> <li>• Annual CANS assessments were not completed timely. For two clients, the auditor identified lapses of 8-11 days the in the completion of the annual CANS assessment.</li> <li>• In one case the discharge CANS was not competed when the case closed to CSA.</li> <li>• Two CANS assessments had a status of open. Open CANS data can be manipulated and/or incomplete, which may reduce the reliability, integrity and validity of the data.</li> <li>• STI Listing was not maintained by the CSA Office in accordance with the joint memorandum between the Department of Education and the Office of Children Services.</li> <li>• Expenditures were recorded in the incorrect expenditure category. One case a client placed in a residential facility for educational purposes but the expenditures were recorded in the Private Day expense category instead of the congregated education category.</li> <li>• In two cases progress notes and treatment plans were not always maintain or signed off by the service provider.</li> </ul>	
<b>Authority/ Criteria</b>	Code of Virginia (COV) §2.2-5212A; CSA Policy Manual 3.6; Joint Memorandum from OCS and the Department of Education dated 10/29/10, CSA Policy Manual 5	
<b>Recommendation</b>	<ul style="list-style-type: none"> <li>• CANS assessments (initial, re-assessment and discharge) should be completed in CANVaS and maintained in client records in accordance with City of Hopewell Utilization Review Policy.</li> <li>• The FAPT and the CSA coordinator should ensure all CANS assessments are closed after all services plans are completed.</li> <li>• The CSA Office should coordinator efforts with the school division to maintain the STI listing to include the STI number, student name and service placement type in accordance with the joint memorandum between DOE and OCS dated October 29, 2010.</li> <li>• The CPMT should ensure all expenses are recorded in the proper expenditure category prior to submitting their pool fund reimbursement report.</li> </ul>	
<b>CLIENT RESPONSE</b>		
CSA Coordinator	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:
CPMT Chairperson	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur	Signature:



Office of Comprehensive Services

CSA Program Audits

Audit Name: City of Hopewell CSA Program

Audit No: 02-2017; Period: 5/1/16 -4/30/17

MANAGEMENT DISCUSSION POINTS

Prepared By: Annette E. Larkin

Date Prepared: 8/3/2017

<input type="checkbox"/>	No opinion at this time	Date:
COMMENTS: (Attach additional sheets if necessary)		

Reviewed By: [Click here to enter text.](#) Date: [Click here to enter a date.](#)

DRAFT





## Office of Comprehensive Services

## CSA Program Audits

Audit Name: City of Hopewell CSA Program

Audit No: 02-2017; Period: 5/1/16 -4/30/17

## MANAGEMENT DISCUSSION POINTS

Prepared By: Annette E. Larkin

Date Prepared: 8/3/2017

Discussion Point #:	MDP 5	Final Disposition: <input type="checkbox"/> Verbal <input checked="" type="checkbox"/> Report <input type="checkbox"/> Dropped												
Cross References:	D.2.1	Explanations for verbal/dropped:												
Condition/ Control Weakness	<p>Documentation of service planning activities requires strengthening to ensure compliance with program requirements. Fifteen (15) client case files were examined to confirm that required documentation was maintained in support of and to validate FAPT and /or multi-disciplinary team (MDT) referral and CPMT funding decisions. The results of the examination identified opportunities for improvement based on the following:</p> <p>Client case files did not always contain sufficient information demonstrating compliance with CSA requirements key to the coordination and service planning by FAPT. Local policy states that the Individual Family Service Plan (IFSP) should contain measurable goals and objectives, strategies, and timeline to accomplish the stated goals to address each need identified through the assessment process. At the IFSP 90-day review, case managers are required to report on child/family progress to stated goals and objectives or provide rationale for no progress being made by the child/family along with new recommended strategies toward overcoming these barriers to making progress. Documentation missing from case files reviewed and/or data elements omitted from the IFSP are documented in the table below:</p> <table border="1"> <thead> <tr> <th>Description</th> <th># of Cases</th> <th>Error Rate</th> </tr> </thead> <tbody> <tr> <td>Parental (biological or foster parent) participation in service planning activities and/or consent to the service plan</td> <td>4/15</td> <td>27%</td> </tr> <tr> <td>Measurable goals and objectives, strategies, and/or discharge planning <b>(Repeat)</b></td> <td>4/15</td> <td>27%</td> </tr> <tr> <td>Consent to exchange information form (missing, expired or incomplete) <b>(Repeat)</b></td> <td>3/15</td> <td>20%</td> </tr> </tbody> </table> <p>Insufficient data collection and poor document management in service planning may lead to increased operational and fiscal inefficiency and ineffectiveness of the local program. Further, this condition fosters an environment that makes the program more susceptible to potential loss of accessibility to State funding in support of local programs as a result of non-compliance with CSA statutes regarding service planning and access to pool funds.</p> <p>The non-compliance observations referenced in this report were also identified in the CSA audit conducted in 2013 of the City of Hopewell CSA program. The Hopewell CSA Office subsequently reported to OCS that the quality improvement plan submitted in response to the observations reported had been implemented. The CPMT, as the governing body, is responsible for on-going monitoring of the quality improvement plan to ensure</p>		Description	# of Cases	Error Rate	Parental (biological or foster parent) participation in service planning activities and/or consent to the service plan	4/15	27%	Measurable goals and objectives, strategies, and/or discharge planning <b>(Repeat)</b>	4/15	27%	Consent to exchange information form (missing, expired or incomplete) <b>(Repeat)</b>	3/15	20%
	Description	# of Cases	Error Rate											
	Parental (biological or foster parent) participation in service planning activities and/or consent to the service plan	4/15	27%											
	Measurable goals and objectives, strategies, and/or discharge planning <b>(Repeat)</b>	4/15	27%											
	Consent to exchange information form (missing, expired or incomplete) <b>(Repeat)</b>	3/15	20%											



**Office of Comprehensive Services**  
**CSA Program Audits**  
**Audit Name: City of Hopewell CSA Program**  
**Audit No: 02-2017; Period: 5/1/16 -4/30/17**

**MANAGEMENT DISCUSSION POINTS**

Prepared By: Annette E. Larkin

Date Prepared: **8/3/2017**

	timely implementation of the plan and the actions taken are continuously working as intended.	
<b>Authority/ Criteria</b>	Code of Virginia (COV) § 2.2-5206 items 1 and 3; 2.2-5208 items 2, 3 and 6; §2.2-5210; § 2.2-5212 A.3-4 and B CSA Policy Manual 3.3; 3.5; 4.5.4	
<b>Recommendation</b>	<ul style="list-style-type: none"> <li>• The FAPT and/or the CSA Coordinator should ensure that minimum documentation requirements are met and maintained in client case files. Key documents include but are not limited to: completed consent to exchange information forms. In addition, IFSPS should contain measurable goals and objectives, strategies, and discharge planning.</li> <li>• As required by CSA statute, the CPMT should ensure families (biological, foster, or any other natural supports) are involved in all aspects of service planning and implementation of services.</li> <li>• Periodic case file reviews should be performed at least annually to establish quality control of client records and to ensure compliance with CSA statutory requirements.</li> <li>• The CPMT should monitor the implementation of all quality improvement plans and ensure the intended changes are operating as intended.</li> </ul>	
<b>CLIENT RESPONSE</b>		
CSA Coordinator	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:
CPMT Chairperson	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:
COMMENTS: (Attach additional sheets if necessary)		

**Reviewed By:** [Click here to enter text.](#)

**Date:** [Click here to enter a date.](#)



**Office of Comprehensive Services**  
**CSA Program Audits**  
**Audit Name: City of Hopewell CSA Program**  
**Audit No: 02-2017; Period: 5/1/16 -4/30/17**

**MANAGEMENT DISCUSSION POINTS**

Prepared By: Annette E. Larkin

Date Prepared: 7/6/2017

<b>Discussion Point #:</b>	MDP 1	<b>Final Disposition:</b> <input type="checkbox"/> Verbal <input checked="" type="checkbox"/> Report <input type="checkbox"/> Dropped
<b>Cross References:</b>	D.1.1	Explanations for verbal/dropped:
<b>Condition/ Control Weakness</b>	The composition of members serving on Hopewell CPMT and FAPT does not meet the membership requirements established by CSA statute and local policy. Hopewell CPMT does not have a representative from the Health Department and the FAPT is missing the parent representative. The absence of the Health Department and the parent representative from the responsible for the administration and implementation of the local CSA could potentially impede the achievement of the highest degree of multi-disciplinary collaboration as oversight, governance, and service planning are contingent upon active participation by all required members.	
<b>Authority/ Criteria</b>	COV § 2.2-5205 and COV§ 2.2-5207; CSA Policy Manual <b>3.2.2. Membership</b> ; COV § 2.2-5200 COV City of Hopewell CSA program policies and procedures manual	
<b>Recommendation</b>	The CPMT should secure a representative from the Health Department to serve on the CPMT and appoint a parent representative to serve on FAPT in accordance with statute and local policy.	
<b>CLIENT RESPONSE</b>		
CSA Coordinator	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:
CPMT Chairperson	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:
COMMENTS: (Attach additional sheets if necessary)		
<b>Reviewed By:</b> Click here to enter text.		<b>Date:</b> Click here to enter a date.





**Office of Comprehensive Services**  
**CSA Program Audits**  
**Audit Name: City of Hopewell CSA Program**  
**Audit No: 02-2017; Period: 5/1/16 -4/30/17**

**MANAGEMENT DISCUSSION POINTS**

Prepared By: Annette E. Larkin

Date Prepared: 8/3/2017

<b>Discussion Point #:</b>	MDP 9	<b>Final Disposition:</b> <input type="checkbox"/> Verbal <input checked="" type="checkbox"/> Report <input type="checkbox"/> Dropped
<b>Cross References:</b> D.3.1		
<b>Condition/ Control Weakness</b>	<p>Adequate measures were not always consistently applied to ensure effective and efficient use of financial resources that could be used to offset the costs incurred for CSA pool funded services. Based on the results of the fifteen (15) client case files reviewed, the following two (2) missed opportunities were identified:</p> <ul style="list-style-type: none"> <li>• An assessment of parental ability to share financial responsibility for non-educational costs associated with services provided to an eligible youth meeting the special education mandate criteria for special education wraparound funding was not documented. The non-compliance observation pertaining to parental co-pay assessments was also identified in the CSA audit conducted in 2013 of the City of Hopewell CSA program. The Hopewell CSA Office subsequently reported to OCS that the quality improvement plan submitted in response to the observation reported was implemented. The CPMT, as the governing body, is responsible for on-going monitoring of the quality improvement plan to ensure timely implementation of the plan and the actions taken are continuously working as intended.</li> <li>• Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program was not explored as a possible funding source for a client that may have been eligible for the program. EPSDT is a comprehensive and preventive child health program for individuals under the age of 21 who are Medicaid/Family Access to Medical Insurance Security Plan (FAMIS) eligible and require specialized services which are medically necessary treatment services that are not a routinely covered service through Virginia Medicaid. The Appropriations Act requires Community Policy and Management Teams (CPMT) to utilize Medicaid-funded services whenever they are available for the appropriate treatment of children and youth receiving services under the CSA. Had the FAPT and CPMT explored this funding source and the youth determined eligible for the program, the Hopewell CSA program could have saved \$20,820 in state and local dollars expended during the period May 1, 2016 – April 30, 2017.</li> </ul> <p>The opportunity lost for collection of additional funds through the assessment/collection of parental co-pay or utilizing other funding streams is significant and could materially impact the local program's ability to increase funding availability for services required to meet the needs of the community.</p>	
<b>Authority/ Criteria</b>	Code of Virginia (COV) § 2.2-5206 item 3; § 2.2-5206 item 6; 2016 Appropriation Act Chapter 780 Item 285.D	



## Office of Comprehensive Services

## CSA Program Audits

Audit Name: City of Hopewell CSA Program

Audit No: 02-2017; Period: 5/1/16 -4/30/17

## MANAGEMENT DISCUSSION POINTS

Prepared By: Annette E. Larkin

Date Prepared: 8/3/2017

<b>Recommendation</b>	<ul style="list-style-type: none"> <li>The CPMT should ensure that the FAPT and the CSA Coordinator documents parental ability to pay, supported by verification of stated income or certification stating indigent status. The amount assessed should be reported to the CPMT along with the request for approval for funding of FAPT referred services. Such documentation should be retained in the case file for the required records retention period.</li> <li>The CPMT should ensure all appropriate Medicaid funded services have been explored prior to authorizing expenditures for pool fund reimbursement.</li> </ul>
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## CLIENT RESPONSE

CSA Coordinator	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:
CPMT Chairperson	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:

COMMENTS: (Attach additional sheets if necessary)

Reviewed By: [Click here to enter text.](#)Date: [Click here to enter a date.](#)



**Office of Comprehensive Services**  
**CSA Program Audits**  
**Audit Name: City of Hopewell CSA Program**  
**Audit No: 02-2017; Period: 5/1/16 -4/30/17**

**MANAGEMENT DISCUSSION POINTS**

Prepared By: Annette E. Larkin

Date Prepared: 8/3/2017

<b>Discussion Point #:</b>	<b>MDP 8</b>	<b>Final Disposition:</b> <input type="checkbox"/> Verbal <input checked="" type="checkbox"/> Report <input type="checkbox"/> Dropped
<b>Cross References:</b> D.3.1		
<b>Condition/ Control Weakness</b>	A formal process has not been established for the reconciliation of CSA reported balances to the locality's reported general ledger account balances. Standard industry best practices dictate cash receipts, appropriations, expenditures, adjustments, and fund balances are formally reconciled at least monthly, but no less than annually. Monthly reconciliations further enhance the reliability of information pertaining to the availability of pool funds and the financial position of the CSA program that is used for management decision- making.	
<b>Authority/ Criteria</b>	DOA Agency Risk Management and Internal Control Standards, Control Activities	
<b>Recommendation</b>	The CPMT should ensure that a process is established for fully reconciling CSA fund balances periodically, to include appropriations, expenditures, revenues, adjustments, and cash (where applicable) with local government general ledger accounts.	
<b>CLIENT RESPONSE</b>		
CSA Coordinator	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:
CPMT Chairperson	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:
COMMENTS: (Attach additional sheets if necessary)		
<b>Reviewed By:</b> Click here to enter text.		<b>Date:</b> Click here to enter a date.



**Office of Comprehensive Services**  
**CSA Program Audits**  
**Audit Name: City of Hopewell CSA Program**  
**Audit No: 02-2017; Period: 5/1/16 -4/30/17**

**MANAGEMENT DISCUSSION POINTS**

Prepared By: Annette E. Larkin

Date Prepared: 8/3/2017

<b>Discussion Point #:</b>	MDP 7	<b>Final Disposition:</b> <input type="checkbox"/> Verbal <input checked="" type="checkbox"/> Report <input type="checkbox"/> Dropped
<b>Cross References:</b>	D.3.1	<b>Explanations for verbal/dropped:</b>
<b>Condition/ Control Weakness</b>	<p>Expenditure reimbursements were requested and processed totaling \$228,961.93 (state share) for payment of services where compliance with CSA statutes, policies and procedures pertaining to client eligibility to access state pool funds were not met. The case records of two (2) clients for which services were funded utilizing state pool funds were examined to validate client eligibility. Per Code Virginia (COV) <a href="#">§ 2.2-5212</a>, non-compliance with eligibility requirements was based on the following applicable criteria below and the specific exceptions detailed in Observations 1A and 1B:</p> <ul style="list-style-type: none"> <li>• The child or youth requires placement for purposes of special education in approved private school educational programs, and</li> <li>• For purposes of determining eligibility for the state pool of funds, “child” or “youth” means (i) a person younger than 18 years of age or (ii) any individual through 21 years of age who is otherwise eligible for mandate services of the participating state agencies including special education and foster care services.</li> </ul> <p><u>Observation 1A</u>  The approved individualized education program (IEP) did not document that extended school year (ESY) services were required for the student’s special educational placement. The FAPT case manager confirmed that the client did not require ESY services, and thus the service that was provided from June 7, 2016 through September 5, 2016 was not written in the student’s IEP. The intent of CSA is to ensure provided services are appropriate in the least restrictive environment, while protecting the welfare of children and maintaining the safety of the public. The student did not require placement for purposes of special education during the period the services was provided and therefore was not eligible to access state pool funds. The chart on the next page details the questioned costs resulting from the ineligible services funded.</p> <p><u>Observation 1B</u>  Hopewell Department of Social Services actively supported continued placement and funding of treatment foster care services for a youth older than 18 with significant intellectual disabilities. COV Section 63.2-908 provides the local Department of Social Services (LDSS) the authority to provide foster care services to a youth “in a permanent foster care placement where the child shall remain until attaining majority or thereafter,</p>	



## Office of Comprehensive Services

## CSA Program Audits

Audit Name: City of Hopewell CSA Program

Audit No: 02-2017; Period: 5/1/16 -4/30/17

## MANAGEMENT DISCUSSION POINTS

Prepared By: Annette E. Larkin

Date Prepared: 8/3/2017

until the age of twenty-one years, if such placement is requisite to providing funds for the care of such child, so long as the child is a participant in an educational, treatment, or training program approved pursuant to regulations of the board.” COV Section 63.2-905.1 requires that the LDSS provide independent living services to all youth turning 18 while in foster care who are not otherwise eligible for foster care services in per COV 63.2-908. VDSS issued Broadcast 9088 dated April 15, 2015 providing clarification regarding the provision of services of youth who turn 18 while in foster care. Despite the guidance issued, Hopewell DSS and the CPMT continued the placement of the youth and funding of treatment foster care without a permanent foster care agreement or coordinating independent living services. During the transition period, guardianship of the client was not awarded to the LDSS or foster parent nor was a guardian ad litem (GAL) sought to represent the client’s interest. However, the LDSS case manager continued to sign individual services plans as the legal guardian with little to no participation in service plan meetings by the youth or foster parent. Each has participated in only one FAPT meeting since the child’s 18<sup>th</sup> birthday. The chart below details the questioned costs resulting from the ineligible services funded.

Questioned Costs – Ineligible Services			
Fiscal Year 2015 - 2016			
Client	Services	Total Cost	State Share
A	Treatment Foster Care Services	\$193,266.00	\$141,721.96
	Independent Living Services	\$108,173.00	\$79,323.26
	Summer Camp	\$2,556.00	1,874.31
B	Congregate Education (ESY)	\$8,240.00	\$6,042.39
<b>Questioned Cost</b>			<b>\$228,961.93</b>

Authority/  
Criteria

**Code of Virginia (COV)** §63.2-100; § 63.2-908; Social Security Act Section 406(a); COV §2.2-5200; Individuals with Disabilities Education Act (IDEA); COV §2.2-5211; 34CFR §300.323; CSA Policy Manual 10.3; and 10.5; VDSS Foster Care Manual

## Recommendation

- The CPMT should ensure that all requirements for eligibility in accordance with federal, state and CSA policies and procedures are met prior to accessing CSA pool funds.
- The City of Hopewell CPMT should submit a quality improvement plan, for review by the OCS Finance Office, to address whether the funds will be voluntarily restored. Upon review and recommendations presented by OCS Finance staff, the CPMT will be notified of the final determination made by the Executive Director of whether the identified actions are acceptable or any additional actions that may be required.



## Office of Comprehensive Services

## CSA Program Audits

Audit Name: City of Hopewell CSA Program

Audit No: 02-2017; Period: 5/1/16 -4/30/17

## MANAGEMENT DISCUSSION POINTS

Prepared By: Annette E. Larkin

Date Prepared: 8/3/2017

## CLIENT RESPONSE

CSA Coordinator	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:
CPMT Chairperson	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:
COMMENTS: (Attach additional sheets if necessary)		
Reviewed By: <a href="#">Click here to enter text.</a> Date: <a href="#">Click here to enter a date.</a>		



**Office of Comprehensive Services**  
**CSA Program Audits**  
**Audit Name: City of Hopewell CSA Program**  
**Audit No: 02-2017; Period: 5/1/16 -4/30/17**

**MANAGEMENT DISCUSSION POINTS**

Prepared By: Annette E. Larkin

Date Prepared: 7/6/2017

<b>Discussion Point #:</b>	<b>MDP 2</b>	<b>Final Disposition:</b> <input type="checkbox"/> Verbal <input checked="" type="checkbox"/> Report <input type="checkbox"/> Dropped
<b>Cross References:</b>	<b>D.1.1</b>	<b>Explanations for verbal/dropped:</b>
<b>Condition/ Control Weakness</b>	Internal controls established by CSA statutes were not effectively implemented by the CPMT in order to safeguard against conflicts of interest pertaining to the referral of services and approval of access to CSA pool funds by eligible youth and their families. Non-public members serving on the CPMT and FAPT did not complete the Statement of Economic Interest (SOEI) form as required by statute. In addition, CPMT did not verify that team members representing public agencies that were required to file such forms complied with the requirement. Based on the increased possibility that required parties may not have appropriately disclosed personal interests the effectiveness of the controls to ensure accountability and appropriate use of CSA pool funds could be significantly reduced.	
<b>Authority/ Criteria</b>	Code of Virginia (COV) Sections: § 2.2-3100; § 2.2-3101; § 2.2-3115; § 2.2-3117; § 2.2-5205; DOA Agency Risk Management and Internal Control Standards, Control Activities	
<b>Recommendation</b>	The CPMT should ensure that the SOEI forms are completed immediately for all non-public members serving on the CPMT and FAPT, and verify that all public members on CPMT required to complete the form as a condition of employment have complied with the statute. They should also ensure that disclosure statements are completed annually thereafter, by the established due date of February 1 <sup>st</sup> .	
<b>CLIENT RESPONSE</b>		
CSA Coordinator	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:
CPMT Chairperson	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:
COMMENTS: (Attach additional sheets if necessary)		
<b>Reviewed By:</b> Click here to enter text.		<b>Date:</b> Click here to enter a date.





**Office of Comprehensive Services**  
**CSA Program Audits**  
**Audit Name: City of Hopewell CSA Program**  
**Audit No: 02-2017; Period: 5/1/16 -4/30/17**

**MANAGEMENT DISCUSSION POINTS**

Prepared By: Annette E. Larkin

Date Prepared: 7/6/2017

<b>Discussion Point #:</b>	<b>MDP 3</b>	<b>Final Disposition:</b> <input type="checkbox"/> Verbal <input checked="" type="checkbox"/> Report <input type="checkbox"/> Dropped
<b>Cross References:</b>	<b>D.1.1</b>	<b>Explanations for verbal/dropped:</b>
<b>Condition/ Control Weakness</b>	<p>Written policies and procedures are not consistent with State statutes, established state CSA guidance, and/or best practices which direct the CPMT to ensure that procedures are established to govern local CSA programs. A review of City of Hopewell CPMT policies and procedures manual noted the following criteria were not met and opportunities for improvement.</p> <ul style="list-style-type: none"> <li>• The policies and procedures manual has not been updated since May 2014;</li> <li>• Policies have not been established to govern records management/retention.</li> <li>• While there is a policy governing Intensive Care Coordination (ICC), it does not align with the high fidelity wraparound (HFW) model adopted by the State Executive Council (SEC) in April 2013. In addition, Hopewell CSA provided a Memorandum of Agreement with District 19 Community Service Board (CSB) to provide ICC services. However, the MOA and the scope of services has not been updated since March 2011 and does not address the provisions necessary to fulfill the requirements of the HFW model. The current ICC policy adopted by the SEC removed the limitation of ICC services only being provided through the CSB. ICC services may be provided by any provider trained in the high fidelity wraparound model.</li> </ul> <p>Outdated polices and procedure increases the likelihood of employee's action being out of compliance with statutory requirements. As a best practice, policies and procedures should be reviewed at least annually and updated as needed.</p> <p>The non-compliance observation pertaining to ICC was also identified in the CSA audit conducted in 2013 of the City of Hopewell CSA program. The Hopewell CSA Office subsequently reported to OCS that the quality improvement plan submitted in response to the observation reported was in progress. The CPMT, as the governing body, is responsible for on-going monitoring of the quality improvement plan to ensure timely implementation of the plan and the actions taken are continuously working as intended.</p>	
<b>Authority/ Criteria</b>	Code of Virginia (COV) § 2.2-5206; CSA Policy Manual 3.5 Records Management; 6.1 Intensive Care Coordination; Appropriation Act Chapter 780 item 285 C.3d; Department of Accounts Agency Risk Management Internal Control Standards (ARMICS): Control Activities	
<b>Recommendation</b>	The CPMT should initiate an immediate review of their policies and procedures and update	





**Office of Comprehensive Services**  
**CSA Program Audits**  
**Audit Name: City of Hopewell CSA Program**  
**Audit No: 02-2017; Period: 5/1/16 -4/30/17**

**MANAGEMENT DISCUSSION POINTS**

**Prepared By:** Annette E. Larkin

**Date Prepared:** 7/6/2017

	the policies where applicable to ensure full compliance with all Code of Virginia (COV) and CSA mandates and best practices.	
<b>CLIENT RESPONSE</b>		
CSA Coordinator	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:
CPMT Chairperson	<input type="checkbox"/> Concur <input type="checkbox"/> Do not concur <input type="checkbox"/> No opinion at this time	Signature:  Date:
COMMENTS: (Attach additional sheets if necessary)		
<b>Reviewed By:</b> <a href="#">Click here to enter text.</a>		<b>Date:</b> <a href="#">Click here to enter a date.</a>

**Ronnieye Arrington**

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**From:** Wanda L. Brown  
**Sent:** Tuesday, July 16, 2019 1:06 PM  
**To:** Ronnieye Arrington  
**Subject:** Quality Improvement Plan  
**Attachments:** List of changes to CSA.docx

Ms. Arrington,

I called Stephanie Bacote from OCS pertaining to a quality improvement plan submitted. She reminded me that I had completed a "List of Changes" as a corrective action plan during this time. She was too busy to look today however, she will look through the files tomorrow and forward any documentation if necessary.

I am sending this over but I am still looking to make certain I did not miss anything. It's just taking time because CSA does not keep hard copies and computer copies.

*Wanda L. Brown, MA  
Children's Services Act Manager*

**City of Hopewell**  
**316 E. Cawson Street Suite 119**  
**Hopewell, Virginia**  
**Office (804)-541-2470**  
**Fax (804)-541-2474**  
**Email: [wbrown@hopewellva.gov](mailto:wbrown@hopewellva.gov)**

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## CSA and CPMT CHANGES

- The CSA Manager does not provide individual case management services for any cases funded through CSA.
- The CSA manager does not pay any invoices until they have been reviewed by the case managers and initialed.
- All FAPT documentation is required 7 days before the meeting. This is to ensure all required FAPT documentation is turned into the CSA office. Some allowances are made for DSS regarding emergency foster care placements.
- The CSA Manager does make suggestions regarding unknown vendors. The case managers make all vendor choices with final approval by FAPT.
- The CSA Manager will assist with updating the local CSA policy manual, which must be approved by CPMT before distribution to all CPMT members.
- Parents must sign off all ISFPs before services can begin.
- The CSA Manager will assess all eligible services copays. No services will begin until CPMT approval and co-pay assessment is completed.
- All vendors must sign a yearly contract with CPMT to include all accompanying documentation before becoming a vendor with the City of Hopewell.
- The CPMT team receives two reports during the monthly meeting. One report focuses on the monthly expenditures and the other report is year-to date expenditures.
- No community-based services will begin initially without CPMT approval.
- Hopewell CPMT has added a member of the City Council and Health Department to the CPMT meetings. Woody Harris (CSU) first CPMT meeting began after the potential fraudulent activity occurred. Mr. Harris has years of experience and knowledge pertaining to CPMT.

**SB-5**



# CITY OF HOPEWELL CITY COUNCIL ACTION FORM

**Strategic Operating Plan Vision Theme:**

- Civic Engagement
- Culture & Recreation
- Economic Development
- Education
- Housing
- Safe & Healthy Environment
- None (Does not apply)

**Order of Business:**

- Consent Agenda
- Public Hearing
- Presentation-Boards/Commissions
- Unfinished Business
- Citizen/Councilor Request
- Regular Business
- Reports of Council Committees

**Action:**

- Approve and File
- Take Appropriate Action
- Receive & File (no motion required)
- Approve Ordinance 1<sup>st</sup> Reading
- Approve Ordinance 2<sup>nd</sup> Reading
- Set a Public Hearing
- Approve on Emergency Measure

**COUNCIL AGENDA ITEM TITLE:**

Audit Actions by Council

**ISSUE:** Council is requested to discuss actions to be taken regarding the CAFRs, such actions to include any and all necessary voting.

**RECOMMENDATION:****TIMING:****BACKGROUND:****ENCLOSED DOCUMENTS:**

- None

**STAFF:**

City Council

**FOR IN MEETING USE ONLY**

**MOTION:** \_\_\_\_\_

**Roll Call****SUMMARY:**

- |                          |                          |                                    |
|--------------------------|--------------------------|------------------------------------|
| <b>Y</b>                 | <b>N</b>                 |                                    |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor Debbie Randolph, Ward #1 |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor Arlene Holloway, Ward #2 |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor John B. Partin, Ward #3  |
| <input type="checkbox"/> | <input type="checkbox"/> | Mayor Jasmine Gore, Ward #4        |

- |                          |                          |                                      |
|--------------------------|--------------------------|--------------------------------------|
| <b>Y</b>                 | <b>N</b>                 |                                      |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor Janice Denton, Ward #5     |
| <input type="checkbox"/> | <input type="checkbox"/> | Councilor Brenda Pelham, Ward #6     |
| <input type="checkbox"/> | <input type="checkbox"/> | Vice Mayor Patience Bennett, Ward #7 |

**SB-6**



# City Council Strategic Plan

*-working draft-*

June, 2019

# City of Hopewell

Strategic Planning 2019 - 2021

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## Original Strategic Themes 2014 - 2024





# City of Hopewell

## Strategic Planning 2019 - 2021

### 2020 – 24 Revised Strategic Goals/Objectives



*\*Same domain as prior plan but enhanced/revised objective*

**Housing:** Ensure high quality affordable housing options for renters and home owners at all income levels and stages of life.

**Health and Wellness:** Enhance resources and conditions that affect where residents live, learn, work, and play that affect their mental, spiritual and physical health outcomes and life expectancy.

**Infrastructure:** Improve the overall appearance, functionality and perception of the City by providing excellent facilities, core services and neighborhood investment.\*

**Public Safety:** Provide a safe and secure environment to strengthen internal and external perceptions of the city by improving cross-collaboration with strategic partner and enhance community relationships.\*

**Economic Development:** Fully implement an integrated economic development plan that yields equitable job opportunities for all Hopewell citizens, enhances our tax base, and increases internal and external foot traffic in all commercial areas of the city\*

**Education/Workforce Development:** Strengthen the education system and workforce development pipeline to promote higher graduation rates, enhanced learning opportunities, and a skilled workforce prepared for high quality job opportunities.\*

**Community and Cultural Development:** Enhance resources to support citizens from all walks of life with comprehensive community services, civic events and opportunities for civic engagement. Implement strategic plans and initiatives that promote equity in all polices and cross-collaboration between the City, service providers and stakeholders.



## Cross-Cutting Implementation Strategies

*The following implementation strategies will build sustainable Council and administration capacity to achieve all strategic goals and objectives.*

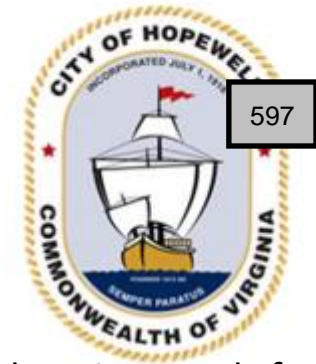
1. Establish clear roles, accountabilities and *guidelines* between City Council and administration
2. **Establish key initiatives under each established Strategic Plan Domain**
3. Implement *branding/marketing campaign* to internal and external audiences
4. Establish data-driven decision-making and accountability processes, grounded in a *City-wide Data Dashboard*
5. Establish mechanism to foster collaborative services and resources (*Community Enhancement Initiative*)
6. Increase opportunities for *civic engagement*
7. Enhance City-to-Citizen *communication channels*
8. Adopt *Equity-in-All-Policies* Framework



## Housing

### Discussion from Council Advance:

- Much of the existing housing stock is antiquated and not attractive to homebuyers – this is an obstacle to attracting new middle- upper-income residents
- In the past, there has been significant pushback to replace antiquated neighborhoods
- Old workforce housing is primarily rental with a lot of transient renters
- Blight and landlord accountability is a challenge
- Home ownership is inaccessible to people at different income levels (*NEED DATA TO BACK-UP STATEMENT*)
  - Credit Worthiness Issue (30-35% of income max for housing)
- A comprehensive housing improvement plan is already completed; while dated, it can be relooked at and updated for today's context



## Housing

### Potential Strategic Priorities/Initiatives:

1. Update and implement comprehensive housing blueprint that addresses housing needs for all segments of the community
  - Update data of current housing plan
  - Work with HRHA to partner
  - Use property maintenance inspection/spot blight data to identify areas/opportunities
  - Develop list of resources
2. Strengthen policies to shift responsibility of paying wastewater fees to landlords from tenants
3. Require business licenses to operate individual rental properties
4. Rewrite of Current Zoning Ordinance to a Form Based Code
5. Rental Inspection Program Revisions – short term goal
6. Renters Rights Advocacy
7. Plan for Public Housing
  1. Increase Security
  2. Disperse Units
8. Path to Homeownership in Public Housing (partner with DSS, concern loss of benefits - ex. Richmond)
9. Homesteading Program for Employees (community grant programs)
10. 1<sup>st</sup> time Homebuyer Program Citywide (partner with Federal Home Loan Bank - ATL)
11. “Brand” Neighborhood – Use the Neighborhood Names/Signage

# City of Hopewell

## 2020 - 2024 – Potential Strategic Initiatives/Priorities

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## Health and Wellness

### Guidance from Council Advance:

- Access to healthy food across the city is a challenge – with only three (3) full service grocery stores, most of the City can be considered a food desert
- While the City has invested in significant outdoor recreation opportunities (e.g. Riverwalk and park), it is important to continue to improve accessibility and quality to ensure equitable recreational opportunities for all Hopewell citizens
- There is a general lack of access to behavioral health resources



## Health and Wellness

### Potential Strategic Priorities/Initiatives:

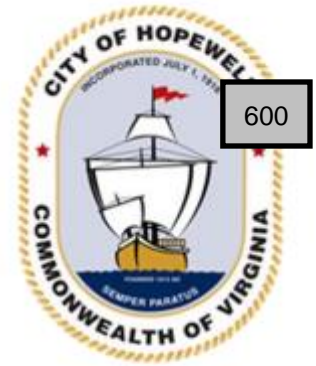
- Recruit full-service grocery store(s) to accessible City location(s)
- Improve physical accessibility and public awareness of healthy eating and active living
- One-Stop Services Center that includes enhanced behavioral health services (built out District 19)
- Medi-cad Expansion – additional resources (not case workers) to assist/develop programs
- Expand HEAL
- Local Foods Local Places – expand effort/implement plan
- Implement Comp Plan Goals RE: Community Health and Care
  - “Health In All Policies” Policy
- Build partnership with JRMC – increase community engagement
- Additional Resources to Assist City – RC&D, Virginia Environmental Endowment, Ag Extension Agent
- Extension of Riverwalk to Bluffs Property
- Work with FOLAR & VDOT to connect Atwater Park connection to Appomattox River Regional Park
- Develop/Expand Trail System – Citywide Trail Plan
- Outdoor Fitness Opportunities



# City of Hopewell

## 2020 - 2024 – Potential Strategic Initiatives/Priorities

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## Infrastructure

### Guidance from Advance:

- Prior plan focused on infrastructure/beautification in downtown area – this has been a long-term effort with great results
- Investments in infrastructure and related economic development activities should broaden to other areas of the city with a focus on the Ft. Lee/Route 36 corridor



## Infrastructure

### Potential Strategic Priorities/Initiatives:

- Comprehensive Ft. Lee/Route 36 infrastructure and economic development plan
- Implement Complete Streets Resolution
  - ADA Accessible Sidewalks
- City Engineering – Citywide Street Evaluation (DATA SOURCE)
- Citywide Paving Program – Pave Each Street Once Every 10 years
  - Engineering Plan – Citywide Cost (Previously Presented – Revise)
- Citywide Curb & Gutter Program – Construct C&G where possible
- Sidewalk Improvements
- Stormwater Improvements coordinated with Road Improvements
- Enhance Street-sweeping Operation – Neighborhood Notification
- Developing Funding Policy to Earmark % of New Revenue for Infrastructure
- Develop 5-year CIP – include “neighborhood” level improvements & funding/financing
- Incentives for Property Owners – Stormwater Improvements
- Public Transportation – New/Revised Routes
- Safe Routes to Schools – Crosswalks/Sidewalks
- “Pothole Tracker”
- Environmentally Responsible Construction for Public Buildings (LEAD)
- Marina Maintenance and Expansion





## Public Safety

### Guidance from Council Advance:

- While violent crime is up in very specific areas, overall crime is down and lower than the state
- Much of the violent crime is committed by people who live outside the City
- Fear of crime and public perception is a significant problem

### Potential Strategic Priorities/Initiatives:

- Community Policing in targeted areas
- Comprehensive prevention programs in targeted areas (Community Enhancement project)
- Messaging campaign on safety statistics (incorporate into branding/marketing campaign and City-to-Citizen communication channels)
- Revision of Crime Statistics to reflect actual activity (shots fired, overdose, sexual assaults, etc.)
- Education/coordination of new ordinances with enforcement agencies to ensure ability to enforce



## Economic Development

### Guidance from Council Advance:

- Continue to build on downtown revitalization but expand focus to Ft. Lee/Route 36 areas
- Immediate focus should be grow current industry base (industrial, healthcare) but establish longer-term goals of recruiting new industry (e.g. tech)

### Potential Strategic Priorities/Initiatives:

- Comprehensive Ft. Lee/Route 36 infrastructure and economic development plan
  - Colonial Corner/I-295 Gateway
- Increase Funding of Legacy Grant Program
- Increase Funding of Façade Improvement Program
- Review Grant Programs to provide opportunities in areas that are not included in Enterprise or Opportunity Zones – Equitable Economic Development
- Implement City Point Historic District Plan – Tourism Emphasis (VCU Plan)
- “Brand” our Districts to Create an Identity – Historic, Arts & Culture, etc.
- Support Weston Manor Expansion
- Re-establish City Tourism Office/Department



## Education/Workforce Development

### Discussion from Council Advance:

- Significant progress has been made in K-12 education with accreditation of school system *(can we say something in here about need for school readiness?)*
- Lack of skilled, productive workforce has resulted in many unfilled jobs in current industry (industrial, public sector and healthcare) as well as an obstacle to recruiting new industries (e.g. tech)
- While there are a number of potential workforce development building blocks, today's system is fragmented and does not support effective career pipelines
- Workforce development initiatives should focus in the short term on preparing and recruiting workers for existing jobs, but work towards a longer-term goal of creating a skilled workforce for new industries

### Potential Strategic Priorities/Initiatives:

- Expand City Youth Workforce Development Programs
- Implement comprehensive regional service career development center with connections to other social supports (Community Enhancement project) – Local Industry and School CET Program
- Early Learning Nation Initiative
- After School Programming



## Community and Cultural Development

### Discussion from Council Advance:

- Individuals, families and communities throughout Hopewell are challenged with lower education levels, lower incomes, and other social challenges
- In addition, there is a lack of citizen and community engagement throughout the city

### Potential Strategic Priorities/Initiatives:

- Comprehensive social service hub that includes behavioral health supports (District 19) and connections to an array of supports (Community Enhancement project)
- Expand early home visitation and parenting support programs for at-risk families
- Implement Citizen Education and Engagement processes throughout City departments and programs
- Beacon Theatre – Strategic Plan
- High Quality Childcare
- Community Branding Initiative
- Mallonee Gym Renovation – Youth and Family Resource Center; MOU with Schools
- Extend Work Week and Holiday Hours at the Convenience Center
- City Museum – City Point
- Event Coordination – Cultural Events
- Communication Tools – Council Newsletter, Citizen Complaints, etc.

**SB-7**

**SB-8**



# CITY OF HOPEWELL CITY COUNCIL ACTION FORM

**Strategic Operating Plan Vision Theme:**

- Civic Engagement
- Culture & Recreation
- Economic Development
- Education
- Housing
- Safe & Healthy Environment
- None (Does not apply)

**Order of Business:**

- Consent Agenda
- Public Hearing
- Presentation-Boards/Commissions
- Unfinished Business
- Citizen/Councilor Request
- Regular Business
- Reports of Council Committees

**Action:**

- Approve and File
- Take Appropriate Action
- Receive & File (no motion required)
- Approve Ordinance 1<sup>st</sup> Reading
- Approve Ordinance 2<sup>nd</sup> Reading
- Set a Public Hearing
- Approve on Emergency Measure

**COUNCIL AGENDA ITEM TITLE:**

“I Love Hopewell” National Night Out City Council contribution.

**ISSUE:** The City Council Workforce Intern has been working with Hopewell citizens and City staff to develop the “I Love Hopewell” Community Showcase. City Council has been briefed on the idea to create a showcase to be supportive of the National League of Cities (NLC) Summer of Love- I Love My City initiative. This initiative is asking for all member City’s to encourage civic engagement, work towards building a community for all generations, uplifting legacy cities and ensuring housing for all.

To date the City Council has supported the Strategic Plan Town Halls, Summer Workforce Program and History with a Mystery App. The entire itinerary will be released to City Council for support by September.

We would like to request from City Council to purchase “I Love Hopewell” giveaways for this upcoming National Night Out event. The items purchased will be divided evenly between the wards, whose City Councilor participates in the group purchasing.

The current items priced include:

1. Stress Ball
2. Metal Keychains
3. Cup Koozies
4. Plastic Wristbands
5. Cellphone Ring Stands
6. Cellphone Wallets

We are asking for each member of City Councilor to contribute up to \$400.00 from their

**SUMMARY:**

Y	N		Y	N	
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Debbie Randolph, Ward #1	<input type="checkbox"/>	<input type="checkbox"/>	Councilor Janice Denton, Ward #5
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Arlene Holloway, Ward #2	<input type="checkbox"/>	<input type="checkbox"/>	Councilor Brenda Pelham, Ward #6
<input type="checkbox"/>	<input type="checkbox"/>	Councilor John B. Partin, Ward #3	<input type="checkbox"/>	<input type="checkbox"/>	Vice Mayor Patience Bennett, Ward #7
<input type="checkbox"/>	<input type="checkbox"/>	Mayor Jasmine Gore, Ward #4			

Marketing Fund allocation for this group project. Each City Councilor will receive at least 50 pieces of each item listed to hand out within their ward for National Night Out or any other community event.

**RECOMMENDATION:** Request City Council approve using up to \$400.00 from their respective Marketing Fund allocation to purchase “I Love Hopewell” community giveaways for the upcoming National Night Out event.

**TIMING:** Immediate

**BACKGROUND:** <https://www.accela.com/accela-insights-blog/love-my-city/>

**FOR IN MEETING USE ONLY**

**MOTION:** \_\_\_\_\_

**Roll Call**

**SUMMARY:**

Y	N	
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Debbie Randolph, Ward #1
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Arlene Holloway, Ward #2
<input type="checkbox"/>	<input type="checkbox"/>	Councilor John B. Partin, Ward #3
<input type="checkbox"/>	<input type="checkbox"/>	Mayor Jasmine Gore, Ward #4

Y	N	
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Janice Denton, Ward #5
<input type="checkbox"/>	<input type="checkbox"/>	Councilor Brenda Pelham, Ward #6
<input type="checkbox"/>	<input type="checkbox"/>	Vice Mayor Patience Bennett, Ward #7



# **REPORTS OF THE CITY COUNCIL**

- **COMMITTEES**
- **INDIVIDUAL REQUEST**
- **ANY OTHER COUNCILOR**

**ADJOURN**