CITY OF HOPEWELL, VIRGINIA

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

CITY OF HOPEWELL, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

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

INTRODUCTORY SECTION

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MEMBERS OF THE CITY COUNCIL

Michael C. Bujakowski, Mayor

Jasmine E. Gore, Vice-Mayor

Christina J. Luman-Bailey Roosevelt Edwards, Jr.

K. Wayne Walton Brenda S. Pelham

Jackie M. Shornak

CITY OFFICIALS

Mark A. Haley, City Manager

David C. 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 H. Sodat, Jr., Sheriff

Dr. John A. Fahey, Superintendent of Schools

Tevya W. Griffin, Director of Development

Raymond W. Spicer, Director of Social Services

Edward O. Watson, Director of Public Works

Eugenia E. Grandstaff, Director of Regional Wastewater Treatment Facility

Mary Jo Turek, Director of Recreation

Donald R. Hunter, II, Chief, Fire Department

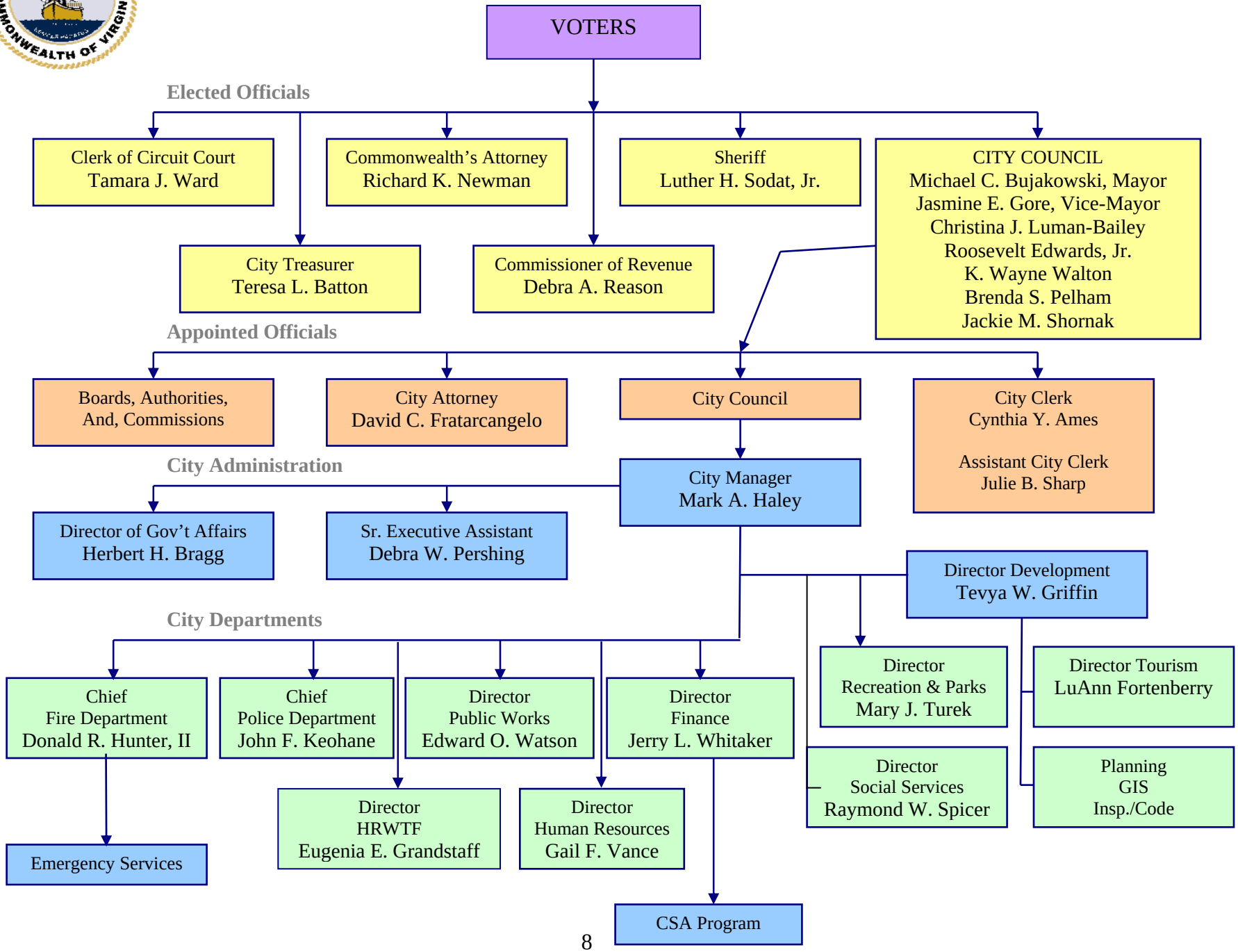
John F. Keohane, Chief, Police Department

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

Herbert Bragg, Director of Governmental Affairs

Gail F. Vance, Director of Human Resources

CITY OF HOPEWELL ORGANIZATIONAL CHART



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hopewell Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Mark A. Haley
City Manager

mhaley@hopewellva.gov
p: 804.541.2243
f: 804.541.2248

June 23, 2015

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

TO THE HONORABLE MEMBERS OF CITY COUNCIL:

The Comprehensive Annual Financial Report of the City of Hopewell, Virginia (the City) for the year ended June 30, 2014 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

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

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

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

The list below highlights some of the City's achievements/events for 2014:

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

<u>Finance</u>

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

<u>Fire</u>

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

<u>HRWTF</u>

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

<u>Neighborhood Assistance and Planning</u>

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

Police

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

Public Works

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

Recreation & Parks

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

Social Services

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

Tourism

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

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

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

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

FINANCIAL INFORMATION

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

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

As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2014 provided one instance of deficiencies in the internal control structure, but no significant violations of applicable laws and regulations.

Budgetary Controls

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

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

General Governmental Functions

Total revenues from governmental funds, which include General, Special Revenue, and Capital Projects plus the School Board and Comprehensive Services Act Board component units approximated $100,069,000 in 2014. This represents a decrease of approximately $830,000 from last year. Property taxes, other local taxes, and intergovernmental revenues accounted for approximately 90% of revenues in the governmental funds.

Assessed real property valuations of $1,319,919,500 were consistent with the prior year. Property tax collections were 93.02% of the tax levy, which is consistent with 97.55% from last year. The ratio of total collections (current and delinquent) to the current tax levy was 93.02%.

Total expenditures from governmental funds, which include General, Special Revenue, and Capital Projects plus the School Board and Comprehensive Services Act Board component units approximated $105,370,000 in 2014. This represents an increase of approximately $4,241,000, or less than 4%, over 2013.

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

Fund Balances

Fund balances in the major operating funds were maintained at adequate levels. The General Fund balance saw a decrease this year. The unassigned fund balance for the General Fund was $3,294,763 on June 30, 2014. This represents a decrease of $2,815,319. Obligated fund balances are: $106,019 for non-spendable inventory, assigned fund balances include: $400,000 for cemetery perpetual care, $657,357 for fire equipment replacement, $4,605,700 for rainy day emergency response, $878,866 for the self-insurance fund, and $779,000 for next year's budget.

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

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

The Capital Projects Fund assigned fund balance at June 30, 2014 was $15,154,520 of which $5,789,508 is assigned for bond proceeds for construction projects.

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

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

Debt Administration
The ratio of bonded debt to assessed valuation of taxable real property and the amount of bonded debt per capita are useful indicators of the City's debt position to the City management, citizens, and investors. This data for the City at the end of the 2014 fiscal year were as follows:

	Amount	**Ratio of debt to assessed value**	**Debt per capita**
Bonded Debt	$ 60,516,432	4.64%	$ 2,679

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

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

OTHER INFORMATION

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

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

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

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

ACKNOWLEDGMENTS

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

Mark A. Haley
City Manager

Jerry L. Whitaker, CPA, CGFM
Director of Finance

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopewell, Virginia (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 16 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities,* effective July 1, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and retirement information and related notes on pages 18-25, 69-70 and 71-73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Other Supplementary Information, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
June 23, 2015

The Honorable Members of City Council:

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

FINANCIAL HIGHLIGHTS (amounts rounded)

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The City has three kinds of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

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

Table A-1

City of Hopewell, Virginia
Summary of Net Position
As of June 30, 2014

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

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

Total net position increased approximately $1.9 million for the business-type activities. These resources are not used to make up any net asset deficit in governmental activities. The City uses its net position to finance the continuing operations of the solid waste and sewer operations.

Changes in Net Position

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

Governmental Activities

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

Business-type Activities

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

Table A-2

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

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

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

- The total costs of these larger governmental activities represent 65% of the $51.1 million total costs of services.
- However, the amount that our taxpayers paid for these activities was $39.9 million. Some of the costs were paid by:
  ─ Those who directly benefited from the programs, or
  ─ Other governments and organizations subsidized certain programs with grants and contributions.
- The City paid for the "public benefit" portion with taxes and with other revenues such as interest and unrestricted state aid.

Table A-3

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

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

BALANCE SHEET DETAIL

FINANCIAL ANALYSIS OF THE CITY'S GENERAL FUND

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

FINANCIAL ANALYSIS OF THE CITY'S CAPITAL PROJECTS FUND

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

FINANCIAL ANALYSIS OF THE CITY'S VIRGINIA PUBLIC ASSISTANCE FUND

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the City had invested $103.3 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, sewer plants, and sewer lines. (See Table A-4).

Table A-4

City of Hopewell, Virginia
Capital Assets net of Depreciation
At June 30, 2014

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

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

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

LONG-TERM DEBT- Government Activities

At year-end, the City had $60.5 million in General Obligation bonds and Literary Loans outstanding, an increase of 10% over last year, as shown in Table A-5. More detailed information about the City's long-term liabilities is presented in footnote 7 to the financial statements.

Table A-5

City of Hopewell, Virginia
Schedule of Outstanding Debt
At June 30, 2014

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

Budgeted expenditures are expected to rise to $46.1 million.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Hopewell Finance Office, 300 N. Main Street, Hopewell, VA 23860 or call 804-541-2306.

Exhibit 1

City of Hopewell, Virginia

Statement of Net Position
June 30, 2014

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-type Activities	Total	School Board	Comprehensive Services Act Board
Assets					
Cash and investments	$ 19,406,727	$ 24,057,468	$ 43,464,195	$ 6,063,495	$ -
Taxes receivable	9,884,443	-	9,884,443	-	-
Accounts receivable	433,869	3,349,973	3,783,842	58,380	-
Note receivable	-	47,678	47,678	-	-
Interest receivable	1	17,227	17,228	-	-
Due from School Board, current portion	105,418	-	105,418	-	-
Due from other governmental units	956,326	-	956,326	1,688,881	692,167
Internal balances	4,591,648	(4,591,648)	-	-	-
Inventories	106,019	1,119,062	1,225,081	51,268	-
Prepaid expenses	-	981,368	981,368	-	-
Restricted assets:					
Cash and investments (in custody of others)	9,176,570	2,733,590	11,910,160	-	-
Due from School Board, net of current portion	1,605,705	-	1,605,705	-	-
Note receivable, net of current portion	-	2,966,690	2,966,690	-	-
Capital assets, net of accumulated depreciation:					
Land	6,622,991	598,419	7,221,410	474,629	-
Buildings, system improvements, and Infrastructure	51,077,146	34,651,313	85,728,459	25,380,575	-
Machinery and equipment	3,635,398	3,072,482	6,707,880	3,052,209	-
Work in progress	-	3,648,636	3,648,636	-	-
Total assets	107,602,261	72,652,258	180,254,519	36,769,437	692,167
Liabilities					
Accounts payable	1,670,046	1,071,860	2,741,906	517,642	691,520
Accrued liabilities	500,332	2,911,351	3,411,683	4,495,039	647
Accrued interest payable	597,240	-	597,240	-	-
Due to Primary Government, current portion	-	-	-	105,418	-
Due to other governmental units	-	175,529	175,529	-	-
Long-term liabilities:					
Due within one year	3,171,726	1,380,205	4,551,931	222,854	-
Due to Primary Government, net of current portion	-	-	-	1,605,705	-
Due in more than one year	64,026,848	34,267,821	98,294,669	1,549,847	-
Total liabilities	69,966,192	39,806,766	109,772,958	8,496,505	692,167
Deferred inflows of resources					
Deferred gain on refunding	121,999	43,693	165,692	-	-
Unearned revenues	9,913,391	-	9,913,391	32,020	-
Total deferred inflows of resources	10,035,390	43,693	10,079,083	32,020	-
Net position					
Net investment in capital assets	9,806,936	11,156,352	20,963,288	27,196,190	-
Restricted for:					
Perpetual care	400,000	-	400,000	-	-
Other	64,911	-	64,911	1,183,046	-
Unrestricted	17,328,832	21,645,447	38,974,279	(138,324)	-
Total net position	$ 27,600,679	$ 32,801,799	$ 60,402,478	$ 28,240,912	$ -

The accompanying notes are an integral part of this statement.

City of Hopewell, Virginia **Exhibit 2**

Statement of Activities
For the Year Ended June 30, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**School Board**	**Comprehensive Services Act Board**
Primary Government:									
Governmental activities:									
General government administration	$ 9,598,375	$ 3,718	$ 1,817,574	$ -	$ (7,777,083)	$ -	$ (7,777,083)	$ -	$ -
Judicial administration	2,598,072	66,938	605,792	-	(1,925,342)	-	(1,925,342)	-	-
Public safety	14,012,598	555,568	743,065	-	(12,713,965)	-	(12,713,965)	-	-
Public works	1,540,362	7	3,660,618	106,041	2,226,304	-	2,226,304	-	-
Health and welfare	5,363,582	-	3,134,115	-	(2,229,467)	-	(2,229,467)	-	-
Education	13,266,424	-	-	-	(13,266,424)	-	(13,266,424)	-	-
Parks, recreation, and cultural	2,530,959	198,885	20,330	-	(2,311,744)	-	(2,311,744)	-	-
Community development	896,763	82,410	5,699	210,064	(598,590)	-	(598,590)	-	-
Interest on long-term debt	1,325,884	-	-	-	(1,325,884)	-	(1,325,884)	-	-
Total governmental activities	51,133,019	907,526	9,987,193	316,105	(39,922,195)	-	(39,922,195)	-	-
Business-type activities:									
Hopewell Regional Wastewater Faciilities Fund	10,666,876	13,713,797	-	-	-	3,046,921	3,046,921	-	-
Sewer Service Fund	7,146,004	6,189,345	-	-	-	(956,659)	(956,659)	-	-
Solid Waste Fund	2,357,067	2,176,931	-	-	-	(180,136)	(180,136)	-	-
Beacon Theater Fund	944,343	305,656	-	-	-	(638,687)	(638,687)	-	-
Total business-type activities	21,114,290	22,385,729	-	-	-	1,271,439	1,271,439	-	-
Total Primary Government	$ 72,247,309	$ 23,293,255	9,987,193	316,105	(39,922,195)	1,271,439	(38,650,756)	-	-
Component units:									
School Board	43,692,062	653,945	32,095,695	-	-	-	-	(10,942,422)	-
Comprehensive Services Act Board	3,938,374	-	2,726,972	-	-	-	-	-	(1,211,402)
Total component units	$ 47,630,436	$ 653,945	$ 34,822,667	$ -	$ -	$ -	$ -	$ (10,942,422)	$ (1,211,402)
General revenues:									
General property taxes					25,585,445	-	25,585,445	-	-
Local sales tax					2,048,011	-	2,048,011	-	-
Business license tax					1,773,174	-	1,773,174	-	-
Communications tax					805,386	-	805,386	-	-
Restuarant food taxes					1,776,247	-	1,776,247	-	-
Other local taxes					3,933,025	-	3,933,025	-	-
Unrestricted from use of money and property					78,461	268,690	347,151	411	-
Miscellaneous					1,620,797	-	1,620,797	87,395	47,146
Grants and contributions not restricted to specific programs					1,628,873	-	1,628,873	11,912,590	1,164,256
Transfers, net					(407,326)	407,326	-	-	-
Total general revenues					38,842,093	676,016	39,518,109	12,000,396	1,211,402
Change in net position					(1,080,102)	1,947,455	867,353	1,057,974	-
Net position - beginning, as restated (Note 16)					28,680,781	30,854,344	59,535,125	27,182,938	-
Net position - ending					$ 27,600,679	$ 32,801,799	$ 60,402,478	$ 28,240,912	$ -

The accompanying notes are an integral part of this statement.

Exhibit 3

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

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 13,412,568	$ 48,320	$ 5,648,079	$ 297,760	$ 19,406,727
Receivables (net of allowance for uncollectibles)					
Taxes receivable	9,884,443	-	-	-	9,884,443
Accounts receivable	87,010	2	346,848	9	433,869
Interest receivable	2	-	-	-	2
Due from other funds	62,978	-	-	-	62,978
Due from School Board	-	-	1,711,123	-	1,711,123
Due from other governmental units	699,732	256,594	-	-	956,326
Advance to Beacon Theater	-	-	4,591,648	-	4,591,648
Inventories	106,019	-	-	-	106,019
Restricted assets:					
Cash and investments	-	-	9,176,570	-	9,176,570
Total Assets	$ 24,252,752	$ 304,916	$ 21,474,268	$ 297,769	$ 46,329,705
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	1,112,296	1,938	530,240	25,573	1,670,047
Accrued liabilities	467,073	22,687	-	10,572	500,332
Due to other funds	-	-	-	62,978	62,978
Total Liabilities	1,579,369	24,625	530,240	99,123	2,233,357
DEFERRED INFLOWS OF RESOURCES					
Unearned tax revenues	9,731,190	-	-	-	9,731,190
Unavailable tax revenues	1,564,034	-	-	-	1,564,034
	11,295,224	-	-	-	11,295,224
Fund balances:					
Non-spendable:					
Inventories	106,019	-	-	-	106,019
Perpetual care	400,000	-	-	-	400,000
Restricted for capital projects	-	-	5,789,508	-	5,789,508
Assigned:					
Fire department equipment	657,357	-	-	-	657,357
Next year budget	779,000	-	-	-	779,000
Perpetual care	656,454	-	-	-	656,454
Rainy day emergency	4,605,700	-	-	-	4,605,700
Self-insurance	878,866	-	-	-	878,866
Assigned to funds	-	280,291	15,154,520	198,646	15,633,457
Unassigned	3,294,763	-	-	-	3,294,763
Total fund balances	11,378,159	280,291	20,944,028	198,646	32,801,124
Total Liabilities, Deferred Inflows and Fund Balances	$ 24,252,752	$ 304,916	$ 21,474,268	$ 297,769	$ 46,329,705

The accompanying notes are an integral part of this statement.

Exhibit 4

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

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

The accompanying notes are an integral part of this statement.

Exhibit 5

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

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

The accompanying notes are an integral part of this statement.

Exhibit 6

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

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds		$ 5,450,708
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay	2,315,322	
Jointly-owned assets adjustment	(999,423)	
Depreciation expense	(2,248,616)	(932,717)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes		276,847
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Amortization of bond premium	18,428	
Principal payments on debt	5,456,424	
Proceeds on issuance of new debt	(10,860,000)	
Amortization of deferred amount of refunding	(121,999)	
Increase in landfill closure liability	(8,061)	(5,515,208)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in interest payable	73,380	
Increase in other postemployment benefit payable	(500,167)	
Decrease in compensated absences	67,055	(359,732)
Change in Net Position of governmental activities		$ (1,080,102)

The accompanying notes are an integral part of this statement.

Exhibit 7

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

	Business-type Activities - Enterprise Funds				
	Hopewell Regional Wastewater Facilities Fund	Sewer Service Fund	Solid Waste Fund	Beacon Theater Fund	Total
Assets					
Current assets:					
Cash and investments	$ 7,077,603	$ 15,541,843	$ 1,428,160	$ 9,862	$ 24,057,468
Accounts receivable, net of allowances for uncollectibles	1,622,786	973,069	563,598	189,210	3,348,663
Note receivable	-	47,678	-	-	47,678
Interest receivable	-	18,537	-	-	18,537
Due from HRWTF	-	160,270	-	-	160,270
Inventories	1,119,062	-	-	-	1,119,062
Prepaid expenses	491,414	478,964	-	10,990	981,368
Total current assets	10,310,865	17,220,361	1,991,758	210,062	29,733,046
Noncurrent assets:					
Restricted assets:					
Cash and investments	359,841	2,373,749	-	-	2,733,590
Total restricted assets	359,841	2,373,749	-	-	2,733,590
Note receivable	-	2,966,690	-	-	2,966,690
Capital assets:					
Land	216,026	97,920	-	284,473	598,419
Utility plant in service and buildings	10,484,614	501,878	-	5,661,851	16,648,343
Sewer main improvements	-	33,327,070	-	-	33,327,070
Machinery and equipment	53,420,734	899,308	31,230	282,809	54,634,081
Work in progress	904,178	2,744,458	-	-	3,648,636
Accumulated depreciation	(60,215,766)	(6,469,192)	(12,492)	(188,249)	(66,885,699)
Total capital assets	4,809,786	31,101,442	18,738	6,040,884	41,970,850
Total noncurrent assets	5,169,627	36,441,881	18,738	6,040,884	47,671,130
Total assets	15,480,492	53,662,242	2,010,496	6,250,946	77,404,176
Liabilities					
Current liabilities:					
Accounts payable	495,217	520,979	55,664	-	1,071,860
Accrued liabilities	2,422,816	21,835	3,911	462,788	2,911,350
Compensated absences	181,827	22,341	4,636	-	208,804
Due to Sewer Service Fund	160,270	-	-	-	160,270
Due to Appomattox Regional Library System	-	-	-	175,529	175,529
Bonds payable	666,799	504,601	-	-	1,171,400
Total current liabilities	3,926,929	1,069,756	64,211	638,317	5,699,213
Noncurrent liabilities:					
Bonds payable - net of current portion	7,749,226	25,451,933	-	-	33,201,159
OPEB liability	893,768	99,306	33,103	-	1,026,177
Compensated absences - net of current portion	40,486	-	-	-	40,486
Advance from Capital Projects Fund	-	-	-	4,591,648	4,591,648
Total noncurrent liabilities	8,683,480	25,551,239	33,103	4,591,648	38,859,470
Total liabilities	12,610,409	26,620,995	97,314	5,229,965	44,558,683
Deferred Inflow of Resources					
Deferred charges on refundings resulting in gain transactions	-	43,694	-	-	43,694
Net position					
Net Investment in capital assets	(3,246,398)	8,518,657	18,738	5,865,355	11,156,352
Unrestricted	6,116,481	18,478,896	1,894,444	(4,844,374)	21,645,447
Total net position	$ 2,870,083	$ 26,997,553	$ 1,913,182	$ 1,020,981	$ 32,801,799

The accompanying notes are an integral part of this statement.

Exhibit 8

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

	Business-type Activities - Enterprise Funds				
	Hopewell Regional Wastewater Facilities Fund	Sewer Service Fund	Solid Waste Fund	Beacon Theater Fund	Total
OPERATING REVENUES					
Charges for services:					
Wastewater treatment revenues	$ 13,713,797	$ -	$ -	$ -	$ 13,713,797
Sewer revenues	-	6,189,345	-	-	6,189,345
Refuse collection	-	-	2,176,931	-	2,176,931
Rental income	-	-	-	305,656	305,656
Total operating revenues	13,713,797	6,189,345	2,176,931	305,656	22,385,729
OPERATING EXPENSES					
Personnel services	2,722,578	309,398	68,238	271,636	3,371,850
Fringe benefits	1,077,654	139,361	37,818	2,638	1,257,471
Contractual services	1,946,569	2,104,143	1,551,408	151,158	5,753,278
Administrative services	96,553	443,918	617,391	670	1,158,532
Materials and supplies	309,513	34,937	12,809	55,658	412,917
Repairs and maintenance	-	562,239	51,799	93,550	707,588
Utilities	109,961	99,272	8,438	41,871	259,542
Fuel	1,536,120	-	2,484	-	1,538,604
Insurance	112,230	21,469	-	-	133,699
Chemicals	1,106,639	-	-	177	1,106,816
Miscellaneous	463,322	937,704	436	138,736	1,540,198
Depreciation	850,108	1,277,027	6,246	188,249	2,321,630
Total operating expenses	10,331,247	5,929,468	2,357,067	944,343	19,562,125
Operating income (loss)	3,382,550	259,877	(180,136)	(638,687)	2,823,604
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	2,441	173,682	225	-	176,348
Miscellaneous	-	-	-	92,342	92,342
Interest expense	(335,629)	(1,216,536)	-	-	(1,552,165)
Total nonoperating revenues (expenses), net	(333,188)	(1,042,854)	225	92,342	(1,283,475)
Income (loss) before contributions and transfers	3,049,362	(782,977)	(179,911)	(546,345)	1,540,129
Operating transfer in	-	-	-	407,326	407,326
Total contributions and transfers, net	-	-	-	407,326	407,326
Change in net position	3,049,362	(782,977)	(179,911)	(139,019)	1,947,455
Total net position - beginning, as restated (Note 16)	(179,279)	27,780,530	2,093,093	1,160,000	30,854,344
Total net position - ending	$ 2,870,083	$ 26,997,553	$ 1,913,182	$ 1,020,981	$ 32,801,799

The accompanying notes are an integral part of this statement.

Exhibit 9

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

	Business-type Activities - Enterprise Funds				
	Hopewell Regional Wastewater Facilities Fund	Sewer Service Fund	Solid Waste Fund	Beacon Theater Fund	Total
Cash flows from operating activities					
Receipts from customers and users	$ 12,069,487	$ 6,652,748	$ 2,022,637	$ 116,446	$ 20,861,318
Payments to suppliers	(6,435,391)	(3,864,420)	(2,260,249)	(285,264)	(12,845,324)
Payments to employees	(2,869,402)	(419,638)	(99,114)	(19,032)	(3,407,186)
Net cash provided by (used in) operating activities	2,764,694	2,368,690	(336,726)	(187,850)	4,608,808
Cash flow from noncapital financing activities					
Payments received from other funds	-	-	-	407,326	407,326
Net cash provided by noncapital financing activities	-	-	-	407,326	407,326
Cash flows from capital and related financing activities					
Purchase of capital assets	(396,312)	(409,635)	-	(2,241,197)	(3,047,144)
Principal payments on bonds and refunding	(676,798)	(499,601)	-	-	(1,176,399)
Interest payments	(335,629)	(1,216,536)	-	-	(1,552,165)
Interfund note	(160,269)	-	-	-	(160,269)
Proceeds from other governmental unit	-	-	-	175,529	175,529
Advance from Capital Projects Fund	-	-	-	1,763,712	1,763,712
Net cash used in capital and related financing activities	(1,569,008)	(2,125,772)	-	(301,956)	(3,996,736)
Cash flows from investing activities					
Interest and dividends received	3,761	193,146	225	92,342	289,474
Net cash provided by investing activities	3,761	193,146	225	92,342	289,474
Net increase (decrease) in cash and investments	1,199,447	436,064	(336,501)	9,862	1,308,872
Cash and investments - beginning, including restricted	6,237,997	17,479,528	1,764,661	-	25,482,186
Cash and investments - ending, including restricted	$ 7,437,444	$ 17,915,592	$ 1,428,160	$ 9,862	$ 26,791,058
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ 3,382,550	$ 259,877	$ (180,136)	(638,687)	$ 2,823,604
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	850,108	1,277,027	6,246	188,249	2,321,630
(Increase) decrease in accounts receivable	(1,298,933)	463,403	(154,294)	(189,210)	(1,179,034)
Increase in inventories	(81,186)	-	-	-	(81,186)
(Increase) decrease in prepaid items	(213,922)	43,652	-	(10,990)	(181,260)
Increase (decrease) in accounts payable and accrued liabilities	471,454	281,037	(8,542)	462,788	1,206,737
(Increase) decrease in unearned revenues	(345,377)	43,694	-	-	(301,683)
Total adjustments	(617,856)	2,108,813	(156,590)	450,837	1,785,204
Net cash provided by (used in) operating activities	$ 2,764,694	$ 2,368,690	$ (336,726)	$ (187,850)	$ 4,608,808

The accompanying notes are an integral part of this statement.

Exhibit 10

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

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

The accompanying notes are an integral part of this statement.

Note 1—Summary of Significant Accounting Policies

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

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

Financial Statement Presentation

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

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

- Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

A. Financial Reporting Entity

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

B. Component Units

Blended:

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

Additionally, the City conveyed the related property to LLC for tax credit purposes during fiscal year 2013.

Discretely Presented:

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

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

C. Other Related Organizations

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

The City is a participant with the County of Dinwiddie and County of Prince George in a joint venture to operate the Appomattox Regional Library (the "Library"). The Library is governed by an 11-member board comprised of five appointees from Hopewell and three each from Dinwiddie and Prince George. Each locality is obligated by contract to fund a percentage of the Library's approved budget. In accordance with the joint venture agreement, the City remitted $551,274 to the Library for fiscal year 2014. The City has an ongoing financial responsibility to fund the Library but does not retain a financial interest in the Library. Financial statements for the Library can be obtained at its administrative offices at 245 East Cawson Street, Hopewell, Virginia 23860.

Jointly Governed Organizations - The City participates with eight other localities in the District 19 Community Services Board. The City also participates with five other localities in Virginia's Gateway Region, a regional economic development organization. The City provided funding of $108,420 and $29,620, respectively, during fiscal year 2014 to these entities. The City also participates with six other localities in the Crater Youth Care Commission and provided funding in the amount of $230,537 during fiscal year 2014.

Related Organizations - The City is also responsible for appointing members of the boards of two organizations, but the City's accountability for these organizations does not extend beyond making these appointments. Related organizations during the year ended June 30, 2014 are as follows: Hopewell Industrial Development Authority and Hopewell Redevelopment and Housing Authority.

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

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

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

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

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

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

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

1. Governmental Funds

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

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

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

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

2. Proprietary Funds

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

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

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

E. Cash and Cash Equivalents

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

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

F. Investments

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $74,000 at June 30, 2014 and is comprised solely of property taxes.

Real and Personal Property Tax Data

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

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

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

H. Capital Assets

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

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

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

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

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

I. Deferred Outflows and Inflows of Resources

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

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

J. Compensated Absences

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

K. Retirement Plan

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

L. Use of Estimates

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

M. Fund Balance

In the governmental fund financial statements, fund balance may be composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be

spent. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The governmental fund types classify fund balances as follows:

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

N. Net Position

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

O. Long-Term Obligations

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

P. Inventory

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

Q. Restricted Assets

The City reported restricted assets on the Balance Sheet in a governmental fund that represents bond proceeds that have not been spent at June 30, 2014 in accordance with the terms of the bond. These assets, in the amount of $9,176,570, are to be used to fund future City public improvements.

R. Change in Accounting Principle

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

Note 2—Deposits and Investments

Deposits

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

Investments

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

Credit Risk of Debt Securities

The City's rated debt investments as of June 30, 2014 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The City's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed 35% of the investment portfolio.

External Investment Pools

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

City's Rated Debt Investments Values

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

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

Interest Rate Risk

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

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Note 3—Due from Other Governments

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

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

Note 4—Interfund Obligations

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

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

At June 30, 2014, the Beacon Theater Fund owed the Capital Projects Fund $4,591,648 related to a promissory note entered into by the City and the blended component unit for the renovation of the Beacon Theater. See Note 1(B) for further discussion.

Note 5—Capital Assets

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

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

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

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

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

Legislation enacted during the year ended June 30, 2002, Section 15 of *The Code of Virginia 1950*, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments on behalf of School Boards was reported in the School Board's discrete column along with the related capital assets. Under the law, local governments have a "tenancy in common" with the School Board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the City for the year ended June 30, 2014, is that School-financed assets in the amount of $22,495,086 are reported in the Primary Government for financial reporting purposes.

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

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

Solid Waste Fund	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Capital assets subject to depreciation:				
Machinery and equipment	$ 31,230	$ -	$ -	$ 31,230
Less accumulated depreciation for:				
Machinery and equipment	(6,246)	(6,246)	-	(12,492)
Solid Waste Fund, net	$ 24,984	$ (6,246)	$ -	$ 18,738

HRWTF	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Capital assets not subject to depreciation:				
Land	$ 216,026	$ -	$ -	$ 216,026
Construction in progress	904,178	-	-	904,178
Total capital assets not subject to depreciation	1,120,204	-	-	1,120,204
Capital assets subject to depreciation:				
Utility plant in service	10,220,916	280,598	16,900	10,484,614
Machinery and equipment	53,295,363	125,371	-	53,420,734
Total capital assets being depreciated	63,516,279	405,969	16,900	63,905,348
Less accumulated depreciation for:				
Utility plant in service	(8,613,386)	(202,316)	(7,243)	(8,808,459)
Machinery and equipment	(50,759,515)	(647,792)	-	(51,407,307)
Total accumulated depreciation	(59,372,901)	(850,108)	(7,243)	(60,215,766)
Total capital assets being depreciated, net	4,143,378	(444,139)	9,657	3,689,582
HRWTF capital assets, net	$ 5,263,582	$ (444,139)	$ 9,657	$ 4,809,786

Beacon Theater Fund	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Capital assets not subject to depreciation:				
Land	$ 128,100	$ 156,373	$ -	$ 284,473
Construction in progress	2,827,936	-	(2,827,936)	-
Total capital assets not subject to depreciation	2,956,036	156,373	(2,827,936)	284,473
Capital assets subject to depreciation:				
Buildings	1,031,900	4,629,951	-	5,661,851
Machinery and equipment	-	282,809	-	282,809
Total cap assets being depreciated	1,031,900	4,629,951	-	5,944,660
Less accumulated depreciation for:				
Buildings	-	(150,216)	-	(150,216)
Machinery and equipment	-	(38,033)	-	(38,033)
Total accumulated depreciation	-	(188,249)	-	(188,249)
Total capital assets being depreciated, net	1,031,900	4,441,702	-	5,756,411
Beacon Theater capital assets, net	$ 3,987,936	$ 4,598,075	$ (2,827,936)	$ 6,040,884

Note 6—Interfund Transfers

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

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

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

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Note 7—Long-Term Obligations

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

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

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

Year Ending June 30	City Obligations: General Obligation Bonds Payable	
	Principal	Interest
2015	$ 802,500	$ 1,344,892
2016	840,000	1,334,318
2017	647,500	1,299,821
2018	810,000	1,272,359
2019	960,000	1,234,221
2020-2024	7,162,500	5,389,491
2025-2029	9,650,000	3,723,869
2030-2034	8,827,500	1,706,589
2035-2039	3,732,500	183825.00
Total	$ 33,432,500	$ 17,489,385

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

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

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

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Details of long-term indebtedness are as follows:

General Obligations:

Incurred for City:

General Obligation Bonds:

$13,730,000 general obligation public improvement bond Series 2008A, payable in various annual installments through July 15, 2034, interest payable semi-annually at 4.63%.	$ 11,000,000
$4,480,000 general obligation public improvement bond, Series 2008B, payable in various annual installments through July 15, 2034, interest payable semi-annually at 5.25%.	3,415,000
$5,000,000 general obligation payable Series 2009A, payable in various semi-annual installments through July 15, 2034 interest payable semi-annually at various coupon rates	4,567,500
$2,155,000 general obligation payable Series 2009B, payable in various semi-annual installments through July 15, 2034 interest payable semi-annually at various coupon rates from 4.00% to 5.00%.	2,155,000
$2,380,000 general obligation payable Series 2011, payable in various semi-annual installments through May 1, 2022 interest payable semi-annually at various coupon rates from 2.00% to 3.75%.	1,435,000
$2,265,000 general obligation payable Series 2013A, payable in various annual installments through May 15, 2028 interest payable semi-annually at 2.10%.	2,265,000
$895,000 general obligation payable Series 2013B, payable in various semi-annual installments through July 15, 2028 interest payable semi-annually at 3.63%.	895,000
$7,700,000 general obligation payable Series 2013C, payable in various semi-annual installments through May 1, 2022 interest payable semi-annually at 2.50%.	7,700,000
Total General Obligation Bonds	33,432,500
Issuance premium	230,082
Landfill closure liability (payable from the General Fund)	583,868
Compensated absences (payable from the General Fund)	990,359
OPEB liability (payable from the General Fund)	4,899,178
Total Incurred by City	$ 40,135,987

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Enterprise Obligations:

Revenue Bond Obligations:

$8,640,000 revenue bond issued December 1, 2005, payable in various annual installments through October 1, 2025 interest payable semi-annually at varying rates	$ 6,015,000
$2,790,000 Sewer System bond issued August 1, 2012, payable in various annual installments through October 1, 2021 interest payable semi-annually at varying rates 2.135% - 2.38%.	2,385,000
$4,160,000 revenue bond issued December 2, 2010, payable in various annual installments through July 15, 2025, interest payable semi-annually at 2.88% - 3.38%.	4,080,000
$18,210,000 Sewer System bond issued December 7, 2011, payable in various annual installments through July 15, 2042, interest payable semi-annually at 2% - 5%.	18,120,000
$3,385,000 Sewer System bond issued December 7, 2011, payable in various annual installments through July 15, 2022, interest payable semi-annually at 1.25% - 3.75%.	3,080,000
Total Revenue Bond Obligations	33,680,000
Issuance premium	692,559
Compensated absences (Payable from the Enterprise Funds)	249,290
OPEB liability (Payable from the Enterprise Funds)	1,026,177
Total Enterprise obligations	$ 35,648,026
Advance from Capital Projects Fund	$ 3,987,936

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Incurred for School Board:

State Literary Fund Loans:	
$209,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of $10,450 through 2017; interest payable annually at 2%.	41,800
$939,000 State Literary Fund Loan issued September 26, 1997, due in annual installments of $46,950 through 2017; interest payable annually at 2%.	187,800
$239,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of $11,950 through 2017; interest payable annually at 2%.	47,800
$597,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of $29,850 through 2017; interest payable annually at 2%.	119,400
$7,500,000 State Literary Fund Loan issued May 15, 2001, due in annual principal installments of $375,000 through 2021; interest payable annually at 2%.	2,625,000
Total State Literary Fund Loans	3,021,800
Virginia Public Authority Subsidy and Other Bonds:	
$4,862,705 Virginia Public Authority Subsidy Bonds issued 2001, due in annual installments of varying amounts through 2021; interest payable annually at varying rates	2,218,669
$858,896 Virginia Public Authority Subsidy Bonds issued in 2005, due in annual installments of varying amounts through 2025; interest payable annually at varying rates	564,297
$2,800,000 General Obligation Qualified Zone Academy Bond issued in 2009, due in annual installments of $186,667 through 2024; interest payable annually at 1.83%.	2,031,987
$7,635,000 Virginia Public Authority Subsidy Bonds issued 2010, due in annual installments of varying amounts through June 1, 2027; interest payable semi-annually at	7,125,000
$5,000,000 general obligation payable Series 2009A, payable in various semi-annual installments through July 15, 2034 interest payable semi-annually at various coupon rates from 3.00% to 5.875%.	4,567,500
$5,000,000 Virginia Public Authority Subsidy Bonds issued 2011, due in annual installments of varying amounts through June 1, 2027; interest payable semi-annually at	4,833,334
$2,700,000 General Obligation issued in 2011, due in annual installments of varying amounts through June 20, 2036; interest payable semi-annually at 2.00% - 5.00%.	2,700,000
Total Virginia Public Authority Subsidy and Other Bonds	24,040,787
Total incurred for School Board	$ 27,062,587

School Board Component Unit

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

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

Note 8—Reporting Entity Transactions

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

During fiscal year 2012, City Council approved a budget resolution to advance the School Board $1,912,428 for energy conservation improvements. The School Board will repay the City over 15 years. The effective interest rate on the loan is 8.7%. At June 30, 2014, $1,711,123 of the loan was still outstanding.

Note 9—Landfill Post-Closure Costs

In October 1993, the City discontinued accepting solid waste at its landfill. In conjunction with the closing of the landfill, an environmental engineering firm was engaged to devise a closure plan in accordance with federal and state regulations. During fiscal year 2002, the City received a closing permit; however, the time period for maintaining the site has been extended through 2022. Total estimated costs of maintaining the site for this period is $583,868. The total current cost of landfill post closure care is an estimate subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

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

Note 10—Unearned and Unavailable Revenues

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

General Fund Unearned Property Tax Revenue: tax payments due in December that are not yet earned totaled $9,731,190 at June 30, 2014.

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

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

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

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

Note 11—Commitments and Contingencies

Federal programs in which the City and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

On December 16, 2010, the City was informed by the United States Environmental Protection Agency ("EPA") that the Hopewell Regional Wastewater Treatment Facility (the "Facility") was in violation of the Clean Air Act for 32 days during January and February of 2010. The Facility is potentially subject to a $37,500 administrative penalty and a $37,500 civil action for injunctive relief and/or civil penalties for each day in violation. The City and the Facility are currently negotiating the potential penalties with the EPA as of the audit report date. Regardless of the outcome, the City is not solely responsible for any financial exposure, as the five other Facility Commission members would be liable for their portion of any future settlement. During the past year, the Facility provided the EPA with requested information to address some of the EPA's concerns regarding alleged violations. As of the report date, the EPA has not responded to any of the submittals from the Facility. The last meeting held with the EPA was in January 2014.

Note 12—Litigation

At June 30, 2014, there were no matters of litigation involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to such entities.

Note 13—Defined Benefit Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System ("VRS")

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System ("System")

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

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

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

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

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

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

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

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

B. Funding Policy

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

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

C. Annual Pension Cost

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

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

Three-Year Trend Information

City and School Board Non-Professional Employees

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

(1) Employer portion only

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

D. Funded Status and Funding Progress

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

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

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

Note 14—Surety Bonds

The following Surety bonds are maintained by the City:

Fidelity and Deposit Company of Maryland – Surety (Faithful Performance of Duty Schedule Position Bond):

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

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

Note 15—Postemployment Benefits Other Than Pensions

Plan Description
The City and the School Board each maintain a single employer defined benefit plan that offers eligible retirees post-retirement medical coverage if they retire directly from the City or Schools and are eligible to receive an early or regular retirement benefit from the VRS. Health benefits include medical coverage only.

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

Group

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

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

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

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

	City Contribution		
Group	Retiree Only	Retiree and Spouse	Notes
A	$534	$948	Frozen contribution rate; will not change in future years
B	$553	N/A	2014 City contribution for a single active employee; will be adjusted in future years
C	Varies	N/A	Percentage of City contribution for a single active employee, based on years of services. See following table.

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

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

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

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

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

Pre-65 retirees may choose between four plans administered by Optima Health: two HMO HSA eligible plans, a PPO HSA eligible plan, and a co-pay plan. The Schools currently have 70 retirees without spouse coverage, 32 retirees with spouse coverage and 2 retirees with child coverage on their plan. The City has 68 retirees without spouse coverage and 31 retirees with spouse coverage participating in the plan.

Annual OPEB Cost and Net OPEB Obligation

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

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

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

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

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

Funded Status and Funding Progress

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

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

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as

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 7.00% graded to 4.80% over 80 years.
  - The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a remaining amortization period at June 30, 2014 of 29 years

Note 16—Accounting Changes and Restatements

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

	Governmental Activities
Net position, June 30, 2013 balance as previously reported	$ 29,156,472
GASB 65 adjustment - debt issuance costs	(475,691)
Balance, as restated, June 30, 2013	$ 28,680,781

	Business-type Activities	HRWTF	Sewer
Net position, June 30, 2013 balance as previously reported	$ 31,540,419	$ (106,711)	$ 28,394,037
GASB 65 adjustment - debt issuance costs	(686,075)	(72,568)	(613,507)
Balance, as restated, June 30, 2013	$ 30,854,344	$ (179,279)	$ 27,780,530

Note 17—Subsequent Events

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

Exhibit 11

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

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

Exhibit 12

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

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

Exhibit 13

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

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

Exhibit 14

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

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

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

Budgetary Data

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

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

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

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

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

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

Exhibit 15

City of Hopewell, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2014

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

Exhibit 16

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

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

Exhibit 17

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

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

Exhibit 18

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

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

Exhibit 19

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

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

Exhibit 20

City of Hopewell, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Anti-Litter Fund
For the Year Ended June 30, 2014

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

Exhibit 21

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

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

Exhibit 22

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

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Building and Bus Replacement Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 3,489,844	$ 961,190	$ 900,891	$ 711,570	$ 6,063,495
Receivables, net of allowance for uncollectibles	55,407	2,973	-	-	58,380
Due from other funds	-	-	-	254,434	254,434
Due from other governmental units	1,612,748	76,133	-	-	1,688,881
Inventories	-	51,268	-	-	51,268
Total assets	5,157,999	1,091,564	900,891	966,004	8,116,458
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	503,080	14,562	-	-	517,642
Accrued liabilities	4,400,485	94,554	-	-	4,495,039
Due to other funds	254,434	-	-	-	254,434
Unearned revenues	-	32,020	-	-	32,020
Total liabilities	5,157,999	141,136	-	-	5,299,135
Fund balances:					
Nonspendable	-	51,268	-	232,618	283,886
Restricted	-	899,160	-	-	899,160
Assigned	-	-	900,891	733,386	1,634,277
Total fund balances	-	950,428	900,891	966,004	2,817,323
Total liabilities and fund balances	$ 5,157,999	$ 1,091,564	$ 900,891	$ 966,004	$ 8,116,458

Total fund balances per above		$ 2,817,323
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	$ 40,327,575	
Less: accumulated depreciation	(11,420,162)	28,907,413
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences	(668,563)	
OPEB obligations	(1,104,138)	
Note payable to the Primary Government	(1,711,123)	(3,483,824)
Net position of governmental activities		$ 28,240,912

Exhibit 23

City of Hopewell, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Building and Bus Replacement Fund	Total Governmental Funds
REVENUES					
Revenues from the use of money and property	$ 64	$ 110	$ 118	$ 119	$ 411
Charges for services	145,889	508,056	-	-	653,945
Miscellaneous	35,309	-	49	-	35,358
Recovered costs	52,037	-	-	-	52,037
Intergovernmental revenues:					
Local government	11,912,590	-	-	-	11,912,590
Commonwealth	25,127,164	46,385	270,673	-	25,444,222
Federal	4,685,592	1,965,881	-	-	6,651,473
Total revenues	41,958,645	2,520,432	270,840	119	44,750,036
EXPENDITURES					
Current:					
Administration	1,416,233	-	-	-	1,416,233
Instruction	34,613,243	-	152,288	-	34,765,531
Operating	5,784,273	2,517,464	-	-	8,301,737
Capital projects	-	36,721	-	526,366	563,087
Total expenditures	41,813,749	2,554,185	152,288	526,366	45,046,588
Excess (deficiency) of revenues over (under) expenditures	144,896	(33,753)	118,552	(526,247)	(296,552)
OTHER FINANCING SOURCES (USES)					
Transfers in	427,409	-	-	681,844	1,109,253
Transfers out	(681,844)	-	-	(427,409)	(1,109,253)
Total other financing sources and (uses), net	(254,435)	-	-	254,435	-
Net change in fund balances	(109,539)	(33,753)	118,552	(271,812)	(296,552)
Fund balances - beginning	109,539	984,181	782,339	1,237,816	3,113,875
Fund balances - ending	$ -	$ 950,428	$ 900,891	$ 966,004	$ 2,817,323

Net change in fund balances - total governmental funds - per above		$ (296,552)
Amount reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		
Capital outlay, net of disposals	$ 1,111,178	
Net change in City interest in School assets	999,423	
Depreciation expense	(740,853)	1,369,748
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in claims and compensated absences	29,337	
Increase in OPEB liability	(145,104)	
Decrease in note payable to the Primary Government	100,545	(15,222)
Change in net position of governmental activities		$ 1,057,974

Exhibit 24

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from the use of money and property	$ 2,000	$ 2,000	$ 64	$ (1,936)
Charges for services	379,039	379,039	145,889	(233,150)
Miscellaneous	179,398	179,398	35,309	(144,089)
Recovered costs	95,000	201,157	52,037	(149,120)
Intergovernmental revenues:				
Local government	11,612,126	11,912,590	11,912,590	-
Commonwealth	24,657,407	24,718,973	25,127,164	408,191
Federal	5,143,654	5,720,336	4,685,592	(1,034,744)
Total revenues	42,068,624	43,113,493	41,958,645	(1,154,848)
EXPENDITURES				
Current:				
Education	42,010,794	43,165,202	41,813,749	1,351,453
Debt service	2,426,046	2,831,465	-	2,831,465
Total expenditures	44,436,840	45,996,667	41,813,749	4,182,918
Excess (deficiency) of revenues over (under) expenditures	(2,368,216)	(2,883,174)	144,896	3,028,070
OTHER FINANCING SOURCES (USES)				
Transfers in	2,795,626	3,201,045	427,409	(2,773,636)
Transfers out	(427,410)	(427,410)	(681,844)	(254,434)
Total other financing sources and (uses), net	2,368,216	2,773,635	(254,435)	(3,028,070)
Net change in fund balance	-	(109,539)	(109,539)	-
Fund balance - beginning	-	109,539	109,539	-
Fund balance - ending	$ -	$ -	$ -	$ -

Exhibit 25

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Cafeteria Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from the use of money and property	$ 8,000	$ 8,000	$ 110	$ (7,890)
Charges for services	567,000	567,000	508,056	(58,944)
Intergovernmental revenues:				
Commonwealth	46,026	46,026	46,385	359
Federal	1,190,000	1,190,000	1,965,881	775,881
Total revenues	1,811,026	1,811,026	2,520,432	709,406
EXPENDITURES				
Current:				
Education	1,929,238	2,235,696	2,081,423	154,273
Operations and maintenance	784,965	528,357	436,041	92,316
Capital projects	96,823	46,973	36,721	10,252
Total expenditures	2,811,026	2,811,026	2,554,185	256,841
Excess (deficiency) of revenues over (under) expenditures	(1,000,000)	(1,000,000)	(33,753)	966,247
Net change in fund balance	(1,000,000)	(1,000,000)	(33,753)	966,247
Fund balance - beginning	1,000,000	1,000,000	984,181	(15,819)
Fund balance - ending	$ -	$ -	$ 950,428	$ 950,428

Exhibit 26

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

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

Exhibit 27

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	Building and Bus Replacement Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenues from the use of money and property	$ 300	$ 300	$ 119	$ (181)
Total revenues	300	300	119	(181)
EXPENDITURES				
Capital projects:				
Capital outlay	495,000	879,320	523,178	356,142
Purchased services and other	-	5,000	3,188	1,812
Total expenditures	495,000	884,320	526,366	357,954
Excess (deficiency) of revenues over (under) expenditures	(494,700)	(884,020)	(526,247)	357,773
OTHER FINANCING SOURCES (USES)				
Transfers in	427,410	427,410	681,844	254,434
Transfers out	(427,410)	(427,410)	(427,409)	1
Total other financing sources, net	-	-	254,435	254,435
Net change in fund balances	(494,700)	(884,020)	(271,812)	612,208
Fund balances - beginning	537,925	927,245	1,237,816	310,571
Fund balances - ending	$ 43,225	$ 43,225	$ 966,004	$ 922,779

Exhibit 28

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

ASSETS		
Due from other governmental units	$	692,167
Total assets	$	692,167
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable		691,520
Accrued liabilities		647
Total liabilities		692,167
Fund balances:		
Unassigned		-
Total fund balance		-
Total liabilities and fund balances	$	692,167

Exhibit 29

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

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

Schedule 1

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

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
Revenues:				
Revenues from local sources:				
General property taxes:				
Real property taxes	$ 13,995,000	$ 13,995,000	$ 13,771,417	$ (223,583)
Real and personal public service corporation taxes	3,415,000	3,415,000	3,800,122	385,122
Personal property taxes	4,325,000	4,325,000	2,428,933	(1,896,067)
Machinery and tools taxes	4,759,700	4,759,700	5,066,978	307,278
Penalties	300,000	300,000	207,299	(92,701)
Interest	-	-	33,846	33,846
Total general property taxes	26,794,700	26,794,700	25,308,595	(1,486,105)
Other local taxes:				
Local sales and use taxes	1,933,772	1,933,772	2,050,168	116,396
Consumers' utility taxes	-	-	348,009	348,009
Electric and natural gas consumption taxes	1,800,000	1,800,000	474,605	(1,325,395)
Communications tax	-	-	805,386	805,386
Right of way user fees	60,000	60,000	58,467	(1,533)
Business license taxes	1,923,916	1,923,916	1,773,174	(150,742)
Cable TV and gas franchise tax	2,100	2,100	2,100	-
Motor vehicle licenses	360,000	360,000	387,250	27,250
Bank stock taxes	120,000	120,000	118,408	(1,592)
Taxes on recordation and wills	120,000	120,000	141,737	21,737
Total other taxes	6,319,788	6,319,788	6,159,304	(160,484)
Permits, privelege fees, and regulatory licenses:				
Animal licenses	5,500	5,500	5,226	(274)
Permits and other licenses	6,000	6,000	99,913	93,913
Total permits, privelege fees, and regulators licenses	11,500	11,500	105,139	93,639
Fines and forfeitures:				
Court fines and forfeitures	1,701,800	1,701,800	1,561,049	(140,751)
Revenues from use of money and property:				
Revenue from use of money	7,000	7,000	4,838	(2,162)
Revenue from use of property	42,000	42,000	45,000	3,000
Total revenues from use of money and property	49,000	49,000	49,838	838
Charges for services:				
Charges for law enforcement and traffic control	2,200	2,200	9,221	7,021
Charges for courthouse maintenance	35,000	35,000	42,524	7,524
Charges for EMS	356,000	356,000	348,270	(7,730)
Charges for law library	-	22,000	24,414	2,414
Charges for courthouse security	134,000	134,000	198,077	64,077
Miscellaneous dog fees	(5,000)	(5,000)	3,718	8,718
Total charges for services	522,200	544,200	626,224	82,024
Miscellaneous revenues:				
Miscellaneous	2,194,228	2,767,517	134,486	(2,633,031)
Payment in lieu of taxes	1,261,100	1,261,100	1,257,500	(3,600)
Total miscellaneous revenues	3,455,328	4,028,617	1,391,986	(2,636,631)
Recovered costs:				
Administrative charge back solid waste	502,000	502,000	502,000	-
Administrative charge back sewer service	382,500	382,500	382,500	-
Total recovered costs	884,500	884,500	884,500	-
Total revenues from local sources	39,738,816	40,334,105	36,086,635	(4,247,470)

Schedule 1

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

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

Schedule 1

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

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
Expenditures:				
General government administration:				
Legislative:				
City Council	111,285	111,285	128,880	(17,595)
City Clerk	62,000	62,000	78,482	(16,482)
Total general government administration	173,285	173,285	207,362	(34,077)
General and financial administration:				
City Manager	246,000	246,000	462,565	(216,565)
City Attorney	173,000	173,000	252,792	(79,792)
Economic development	126,600	126,600	124,368	2,232
Intergovernmental affairs	90,015	90,015	92,304	(2,289)
Commissioner of Revenue	310,000	310,000	399,866	(89,866)
Human resources department	204,000	204,000	287,712	(83,712)
Treasurer	292,999	292,999	394,493	(101,494)
Finance	1,246,223	1,242,220	1,532,438	(290,218)
Total general and financial administration	2,688,837	2,684,834	3,546,538	(861,704)
Board of elections				
Electoral board and officials	130,998	135,000	133,557	1,443
Total board of elections	130,998	135,000	133,557	1,443
Total general government administration	2,993,120	2,993,119	3,887,457	(894,338)
Judicial administration:				
Courts:				
Circuit Court	70,000	70,000	76,028	(6,028)
General district court	55,000	55,000	60,602	(5,602)
Sheriff	1,080,000	1,093,629	1,267,352	(173,723)
Law library	32,821	22,000	22,610	(610)
Clerk of the circuit court	290,000	290,000	377,883	(87,883)
Court services unit	7,000	7,000	5,264	1,736
Southside Legal Aid contribution	500	500	500	-
Total courts	1,535,321	1,538,129	1,810,239	(272,110)
Commonwealth's Attorney				
Commonwealth's Attorney	415,000	431,774	537,423	(105,649)
Total Commonwealth's Attorney	415,000	431,774	537,423	(105,649)
Total jurisdictional administration	1,950,321	1,969,903	2,347,662	(377,759)
Public Safety:				
Law enforcement and traffic control:				
Police department	5,245,000	5,297,511	6,511,643	(1,214,132)
Total law enforcement and traffic control	5,245,000	5,297,511	6,511,643	(1,214,132)
Fire and rescue services:				
Fire department	2,765,755	2,773,542	3,258,134	(484,592)
Total fire and rescue services	2,765,755	2,773,542	3,258,134	(484,592)
Correction and detention:				
Crater Youth Care Commission	252,000	252,000	230,537	21,463
Riverside Regional Jail	2,453,000	2,453,000	2,607,600	(154,600)
VJCCCA grant	147,000	147,000	154,343	(7,343)
Total correction and detention	2,852,000	2,852,000	2,992,480	(140,480)

Schedule 1

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

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
General Fund: (Continued)				
Inspections:				
Building	227,200	228,000	300,520	(72,520)
Total inspections	227,200	228,000	300,520	(72,520)
Other protection				
Animal control	70,447	169,882	180,581	(10,699)
Emergency and safety services	95,646	95,405	120,474	(25,069)
Total other protection	166,093	265,287	301,055	(35,768)
Total public safety	11,256,048	11,416,340	13,363,832	(1,947,492)
Public works:				
Maintenance of highways, streets, bridges and sidewalks				
General engineering	3,775,185	3,729,955	3,893,978	(164,023)
Total maintenance of highways, streets, bridges and sidewalks	3,775,185	3,729,955	3,893,978	(164,023)
Maintenance of general buildings and grounds:				
Cemetery perpetual care	9,650	-	30,035	(30,035)
Total maintenance of general buildings and grounds	9,650	-	30,035	(30,035)
Total public works	3,784,835	3,729,955	3,924,013	(194,058)
Health and welfare:				
Health				
Supplement of local health department	212,000	212,000	212,000	-
Total health	212,000	212,000	212,000	-
Mental health and mental retardation				
Community services board	108,500	108,500	108,420	80
Total mental health and retardation	108,500	108,500	108,420	80
Welfare:				
Contribution fo Comprehensive Services Act Board	-	-	1,164,255	(1,164,255)
Tax relief for the elderly	230,000	230,000	154,173	75,827
Total welfare	230,000	230,000	1,318,428	(1,088,428)
Total health and welfare	550,500	550,500	1,638,848	(1,088,348)
Education:				
Other instructional costs:				
Contribution to community colleges	3,800	3,800	3,800	-
Contribution to City School Board	9,506,751	9,506,751	9,632,115	(125,364)
Total education	9,510,551	9,510,551	9,635,915	(125,364)
Parks, recreation, and cultural				
Cultural enrichment:				
Historic Hopewell Foundation	12,000	12,000	12,000	-
Arts and humanities	1,000	42,100	42,100	-
Total cultural enrichment	13,000	54,100	54,100	-
Library:				
Contribution to regional library	551,300	551,300	551,274	26
Total library	551,300	551,300	551,274	26
Total parks, recreation, and cultural	564,300	605,400	605,374	26

Schedule 1

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

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

Schedule 2

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

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

Schedule 3

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

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

Schedule 4

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

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

Schedule 5

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

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

Schedule 6

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

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

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenues from local sources:				
Revenues from use of money and property -				
Revenues from the use of money	$ 2,000	$ 2,000	$ 64	$ (1,936)
Charges for services -				
Charges for education	379,039	379,039	145,889	(233,150)
Miscellaneous revenues -				
Other miscellaneous	179,398	179,398	35,309	(144,089)
Recovered costs -				
E-rate funds	95,000	201,157	52,037	(149,120)
Total revenues from local sources	655,437	761,594	233,299	(528,295)
Intergovernmental revenues:				
Revenues from local governments -				
Contribution from the City of Hopewell, Virginia	11,612,126	11,912,590	11,912,590	-
Total revenues from local governments	11,612,126	11,912,590	11,912,590	-
Revenues from the Commonwealth:				
Categorical aid:				
Share of state sales tax	3,577,151	3,577,151	3,491,144	(86,007)
Basic school aid	11,810,890	11,810,890	12,198,494	387,604
ISAEP	15,717	15,717	17,217	1,500
Remedial summer education	175,980	175,980	106,381	(69,599)
Regular foster care	21,806	21,806	9,072	(12,734)
Special education foster care	-	-	16,015	16,015
Homebound education	18,528	18,528	13,475	(5,053)
Gifted and talented	135,898	135,898	138,760	2,862
Remedial education	809,478	809,478	826,528	17,050
Special education	1,802,123	1,802,123	1,840,082	37,959
Vocational	12,068	12,068	6,659	(5,409)
Vocational adult	6,684	6,684	-	(6,684)
Vocational education	200,892	200,892	205,664	4,772
Social security fringe benefits	815,387	815,387	832,561	17,174
Retirement fringe benefits	1,361,932	1,361,932	1,390,619	28,687
Group life insurance benefits	50,223	50,223	51,281	1,058
Early reading intervention	119,014	119,014	114,254	(4,760)
At-risk payments	1,014,898	1,014,898	1,036,135	21,237
Primary class size	1,130,044	1,130,044	1,184,287	54,243
At-risk four year olds	649,565	649,565	649,565	-
Education technology	206,000	206,000	206,000	-
Standards of Learning algebra readiness	92,602	92,602	92,602	-
National board certified teacher	8,000	8,000	5,000	(3,000)
Mentor teacher program	4,660	4,660	4,316	(344)
English as a second language	84,097	84,097	79,552	(4,545)
Additional assistance for retention	231,452	231,452	231,452	-
Compensation Supplement	302,318	302,318	308,570	6,252
School Security Equipment Grant	-	61,566	61,567	1
Career Switcher New Teacher	-	-	1,000	1,000
STEM Recruitment	-	-	5,000	5,000
Industry certification costs	-	-	3,912	3,912
Total categorical aid	24,657,407	24,718,973	25,127,164	408,191
Total revenues from the Commonwealth	$ 24,657,407	$ 24,718,973	$ 25,127,164	$ 408,191

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

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	$ 1,949,948	$ 2,239,219	$ 1,619,535	$ (619,684)
Title VI-B, special education	940,930	940,930	874,526	(66,404)
Vocational education	99,329	99,329	73,306	(26,023)
Title III	66,642	61,271	23,402	(37,869)
Title II	286,010	286,010	224,215	(61,795)
Impact Aid	38,640	38,640	31,301	(7,339)
Gear up	-	-	(563)	(563)
School Improvement Grant	438,087	730,869	558,811	(172,058)
JROTC	59,500	59,500	64,522	5,022
Head Start	1,181,964	1,181,964	925,063	(256,901)
Medicaid reimbursements	82,604	82,604	286,276	203,672
AP Test Fees	-	-	5,085	5,085
State Assessment & Related Activity	-	-	113	113
Total categorical aid	5,143,654	5,720,336	4,685,592	(1,034,744)
Total School Operating Fund	$ 42,068,624	$ 43,113,493	$ 41,958,645	$ (1,154,848)
School Cafeteria Fund:				
Revenues from local sources:				
Revenues from use of money and property -				
Revenue from the use of money	$ 8,000	$ 8,000	$ 110	$ (7,890)
Charges for services -				
Cafeteria sales	567,000	567,000	508,056	(58,944)
Total revenues from local sources	575,000	575,000	508,166	(66,834)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid -				
School food program grant	46,026	46,026	46,385	359
Revenue from the federal government:				
Categorical aid:				
School food program grant	1,190,000	1,190,000	1,837,444	647,444
USDA commodities	-	-	128,437	128,437
Total categorical aid	1,190,000	1,190,000	1,965,881	775,881
Total revenues from the federal government	1,190,000	1,190,000	1,965,881	775,881
Total School Cafeteria Fund	$ 1,811,026	$ 1,811,026	$ 2,520,432	$ 709,406

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

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

Schedule 8

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

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board				
School Operating Fund				
Education:				
Administration of schools -				
Administration	$ 1,449,424	$ 1,463,950	$ 1,416,233	$ 47,717
Total administration of schools	1,449,424	1,463,950	1,416,233	47,717
Instruction costs:				
Compensation	30,920,661	30,710,690	30,373,805	336,885
Supplies	1,434,891	1,624,486	1,345,796	278,690
Equipment	406,399	386,627	372,681	13,946
Purchased services	1,626,055	2,778,782	2,520,961	257,821
Total instruction costs	34,388,006	35,500,585	34,613,243	887,342
Operating costs:				
Attendance and health services	756,357	809,773	743,136	66,637
Pupil transportation	1,130,354	1,203,521	1,199,060	4,461
Operation and maintenance of school plant	4,286,653	4,187,373	3,842,077	345,296
Total operating costs	6,173,364	6,200,667	5,784,273	416,394
Total education	42,010,794	43,165,202	41,813,749	1,351,453
Operating costs -				
Debt service	2,426,046	2,831,465	-	2,831,465
Total School Operating Fund	$ 44,436,840	$ 45,996,667	$ 41,813,749	$ 4,182,918
School Cafeteria Fund:				
Education:				
School food services -				
Administration of school food program	$ 1,929,238	$ 2,235,696	$ 2,081,423	$ 154,273
Total education	1,929,238	2,235,696	2,081,423	154,273
Operations:				
Repair & replacement of equipment	740,467	469,359	399,399	69,960
Other	44,498	58,998	36,642	22,356
Total Operations & Maintenance	784,965	528,357	436,041	92,316
Capital project expenditures -				
Capital projects	96,823	46,973	36,721	10,252
Total capital projects	96,823	46,973	36,721	10,252
Total School Cafeteria Fund	$ 2,811,026	$ 2,811,026	$ 2,554,185	$ 256,841
Textbook Fund:				
Education -				
Instruction	$ 650,000	$ 650,000	$ 152,288	$ 497,712
Total education	650,000	650,000	152,288	497,712
Total School Textbook Fund	$ 650,000	$ 650,000	$ 152,288	$ 497,712
Capital Projects Fund:				
Building and Bus Replacement Fund				
Education:				
Capital project expenditures:				
Other project costs	$ -	$ 5,000	$ 3,188	$ 1,812
Capital projects	495,000	879,320	523,178	356,142
Total capital projects	495,000	884,320	526,366	357,954
Total Building and Bus Replacement Fund	$ 495,000	$ 884,320	$ 526,366	$ 357,954
Total Discretely Presented Component Unit - School Board	$ 48,392,866	$ 50,342,013	$ 45,046,588	$ 5,295,425

STATISTICAL SECTION

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

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

City of Hopewell, Virginia **Table 1**

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

	Fiscal Year									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	2014
Government activities:										
Net investment in capital assets	$ (2,904,259)	$ (5,034,392)	$ 1,080,980	$ 2,846,179	$ (5,421,549)	$ 2,462,560	$ 409,366	$ 2,934,686	$ 8,237,548	$ 9,806,936
Restricted	16,720,846	6,623,230	1,238,289	983,265	11,016,079	1,054,321	1,024,445	469,962	472,833	464,911
Unrestricted	10,044,891	25,290,215	29,341,147	25,589,865	20,864,117	22,001,951	21,485,263	20,049,644	20,446,091	17,328,832
Total governmental activities net position	$ 23,861,478	$ 26,879,053	$ 31,660,416	$ 29,419,309	$ 26,458,647	$ 25,518,832	$ 22,919,074	$ 23,454,292	$ 29,156,472	$ 27,600,679
Business-type activities:										
Net investment in capital assets	$ 5,580,932	$ 4,169,665	$ 2,001,382	$ 379,108	$ (1,881,277)	$ 833,056	$ 3,522,077	$ 4,439,464	$ 5,573,075	$ 11,156,352
Restricted	1,167,481	395,641	395,641	395,641	395,641	395,641	395,641	502,351	-	-
Unrestricted	17,228,877	18,665,589	20,590,674	21,410,651	21,695,483	20,822,720	20,539,183	24,658,155	25,967,344	21,645,447
Total business-type activities net position	$ 23,977,290	$ 23,230,895	$ 22,987,697	$ 22,185,400	$ 20,209,847	$ 22,051,417	$ 24,456,901	$ 29,599,970	$ 31,540,419	$ 32,801,799
Primary Government:										
Net investment in capital assets	$ 2,676,673	$ (864,727)	$ 3,082,362	$ 3,225,287	$ (7,302,826)	$ 3,295,616	$ 3,931,443	$ 7,374,150	$ 13,810,623	$ 20,963,288
Restricted	17,888,327	7,018,871	1,633,930	1,378,906	11,411,720	1,449,962	1,420,086	972,313	472,833	464,911
Unrestricted	27,273,768	43,955,804	49,931,821	47,000,516	42,559,600	42,824,671	42,024,446	44,707,799	46,413,435	38,974,279
Total Primary Government net position	$ 47,838,768	$ 50,109,948	$ 54,648,113	$ 51,604,709	$ 46,668,494	$ 47,570,249	$ 47,375,975	$ 53,054,262	$ 60,696,891	$ 60,402,478

City of Hopewell, Virginia

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

Expenses	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Government activities:										
General government	$ 2,945,790	$ 2,912,135	$ 3,375,486	$ 3,355,309	$ 3,005,250	$ 4,460,353	$ 6,104,946	$ 8,303,573	$ 8,482,373	$ 9,598,375
Judicial administration	1,574,921	1,677,436	1,778,649	1,959,936	2,115,285	2,084,915	1,643,680	2,107,894	2,217,984	2,598,072
Public safety	10,565,072	11,047,707	12,332,692	12,594,747	13,815,831	12,847,039	10,761,188	11,841,600	11,720,652	14,012,598
Public works	3,485,748	2,887,052	1,772,710	4,720,713	5,032,124	4,705,675	5,338,658	4,203,248	711,805	1,540,362
Health and welfare	5,342,722	5,264,756	5,322,346	5,764,789	6,082,016	5,486,078	5,514,230	5,548,091	5,259,409	5,363,582
Education	11,179,266	11,543,304	12,264,674	12,419,569	12,641,913	14,587,637	15,960,520	14,701,888	13,675,250	13,266,424
Parks, recreation and cultural	2,257,163	1,896,638	2,342,189	2,893,300	2,771,191	2,396,107	1,187,879	2,311,175	2,462,345	2,530,959
Community development	2,030,064	1,074,519	947,666	1,097,051	1,426,189	1,499,806	2,885,797	735,236	729,140	896,763
Interest on long-term debt	2,141,680	2,097,330	1,810,935	1,623,712	1,942,319	1,624,907	2,228,636	1,836,461	1,655,027	1,325,884
Total governmental activities expenses	41,522,426	40,400,877	41,947,347	46,429,126	48,832,118	49,692,517	51,625,534	51,589,166	46,913,985	51,133,019
Business-type activities:										
Public utilities	16,185,800	16,272,912	16,961,532	17,697,147	21,188,607	17,709,774	16,348,442	16,193,605	18,163,995	21,114,290
Total Primary Government expenses	57,708,226	56,673,789	58,908,879	64,126,273	70,020,725	67,402,291	67,973,976	67,782,771	65,077,980	72,247,309
Program Revenues										
Government activities:										
Charges for services:										
General government administration	-	-	-	201,555	-	1,991	7,620	3,913	4,464	3,718
Judicial administration	198,943	99,974	82,948	200,543	362,032	26,273	31,532	35,492	37,325	66,938
Public Safety	224,206	439,608	549,021	293,746	454,764	414,833	463,133	580,930	534,761	555,568
Public Works	-	-	-	-	-	-	19	1	3	7
Parks, recreation and cultural	103,291	231,592	141,640	177,568	102,269	308,350	296,931	253,921	245,420	198,885
Community development	-	-	-	-	-	78,193	70,194	58,448	51,959	82,410
Operating grants and contributions	9,675,502	9,554,091	9,801,482	10,170,554	10,925,941	10,089,840	10,569,646	10,125,073	10,227,954	9,987,193
Capital grants and contributions	-	-	-	262,809	197,033	380,537	361,697	2,400,955	481,634	316,105
Total governmental activities program revenues	10,201,942	10,325,265	10,575,091	11,306,775	12,042,039	11,300,017	11,800,772	13,458,733	11,583,520	11,210,824
Business-type activities:										
Charges for services:										
Public utilities	14,195,204	14,567,448	16,219,446	16,017,671	18,808,470	18,400,410	18,537,642	17,775,706	18,358,264	22,385,729
Operating grants and contributions	1,174,420	160,762	-	33,661	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	513,084	82,284	3,100,000	1,160,000	-
Total business-type activities program revenues	15,369,624	14,728,210	16,219,446	16,051,332	18,808,470	18,913,494	18,619,926	20,875,706	19,518,264	22,385,729
Total Primary Government program revenues	25,571,566	25,053,475	26,794,537	27,358,107	30,850,509	30,213,511	30,420,698	34,334,439	31,101,784	33,596,553
Net (expense) / revenue:										
Governmental activities	(31,320,484)	(30,075,612)	(31,372,256)	(35,122,351)	(36,790,079)	(38,392,500)	(39,824,762)	(38,130,433)	(35,330,465)	(39,922,195)
Business-type activities	(816,176)	(1,544,702)	(742,086)	(1,645,815)	(2,380,137)	1,203,720	2,271,484	4,682,101	1,354,269	1,271,439
Total Primary Government net expense	$ (32,136,660)	$ (31,620,314)	$ (32,114,342)	$ (36,768,166)	$ (39,170,216)	$ (37,188,780)	$ (37,553,278)	$ (33,448,332)	$ (33,976,196)	$ (38,650,756)

City of Hopewell, Virginia

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 22,452,725	$ 21,436,449	$ 23,466,018	$ 21,003,914	$ 23,548,847	$ 24,953,126	$ 24,183,723	$ 24,250,333	$ 25,324,405	$ 25,585,445
Local sales and use taxes	1,710,007	1,890,963	1,992,012	1,872,972	1,752,105	1,904,436	1,866,495	1,921,273	1,989,128	2,048,011
Consumer utility taxes	1,138,794	1,141,121	914,129	665,210	349,751	350,230	376,118	347,966	355,950	348,009
Business licenses taxes	1,411,667	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
Other local taxes	2,672,065	3,017,610	3,184,311	3,970,017	4,212,375	5,345,796	5,754,161	6,583,703	6,331,024	6,166,649
Unrestricted grants and contributions	1,591,188	1,777,831	1,801,786	1,407,833	1,534,464	1,618,030	1,618,030	1,968,030	1,768,999	1,628,873
Unrestricted revenues from use of money and property	992,484	1,736,958	2,033,562	1,768,070	593,272	127,687	154,399	98,440	110,552	78,461
Gain on disposal of capital assets	-	-	-	1,000,000	-	-	-	-	-	-
Interest rate subsidy	-	-	-	-	-	-	363,750	-	-	-
Miscellaneous	147,042	550,795	266,383	266,593	167,241	1,281,867	1,142,241	1,927,346	1,736,852	1,620,797
Transfers	275,000	-	-	-	-	-	-	-	(66,495)	(407,326)
Total governmental activities	32,390,972	33,093,187	35,195,287	33,576,144	33,829,417	37,452,685	37,225,004	38,665,651	39,289,246	38,842,093
Business-type activities:										
Transfers	(275,000)	-	-	-	-	-	-	-	66,495	407,326
Miscellaneous	-	-	-	-	-	-	-	-	216,311	-
Unrestricted revenues from use of money and property	339,166	798,307	951,842	843,518	404,584	36,210	134,000	460,967	303,374	268,690
Total business-type activities	64,166	798,307	951,842	843,518	404,584	36,210	134,000	460,967	586,180	676,016
Total Primary Government	32,455,138	33,891,494	36,147,129	34,419,662	34,234,001	37,488,895	37,359,004	39,126,618	39,875,426	39,518,109
Special item- loss on capital contributed	-	-	-	-	-	-	-	-	(1,160,000)	-
Change in Net Position:										
Governmental activities	3,037,879	1,772,703	5,119,675	(1,546,207)	(2,960,662)	(939,815)	(2,599,758)	535,218	2,798,781	(1,080,102)
Business-type activities	(1,918,669)	(17,869)	(592,860)	(802,297)	(1,975,553)	1,239,930	2,405,484	5,143,068	1,940,449	1,947,455
Total Primary Government	$ 1,119,210	$ 1,754,834	$ 4,526,815	$ (2,348,504)	$ (4,936,215)	$ 300,115	$ (194,274)	$ 5,678,286	$ 4,739,230	$ 867,353

City of Hopewell, Virginia **Table 3**

Fund Balances of Governmental Funds

Last Ten Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund:										
Reserved	$ 1,272,858	$ 1,486,858	$ 2,145,977	$ 1,305,385	$ 1,085,023	$ 1,146,496				
Unreserved	8,604,101	10,815,318	10,681,284	10,508,586	9,484,371	10,168,180				
Total General Fund	9,876,959	12,302,176	12,827,261	11,813,971	10,569,394	11,314,676				
All other governmental funds:										
Reserved	15,503,841	15,440,761	3,553,176	1,116,638	55,109	35,436				
Unreserved, reported in:										
Special Revenue Funds	503,031	405,094	221,901	228,810	157,004	346,795				
Capital Projects Funds	18,250,454	12,850,203	15,342,304	12,321,255	20,995,610	22,131,546				
Total all other Governmental funds	$ 34,257,326	$ 28,696,058	$ 19,117,381	$ 13,666,703	$ 21,207,723	$ 22,513,777				
General Fund:										
Nonspendable							$ 352,873	$ 484,090	$ 507,710	$ 506,019
Assigned							7,433,145	7,185,036	7,185,036	7,577,377
Unassigned							4,355,131	4,084,446	6,110,082	3,294,763
Total General Fund							$ 12,141,149	$ 11,753,572	$ 13,802,828	$ 11,378,159
All other Governmental funds:										
Restricted							$ 10,098,751	$ 5,789,508	$ 5,789,508	$ 5,789,508
Assigned							14,338,352	8,694,433	7,758,080	15,633,457
Unassigned							(248)	(247)	-	-
Total all other Governmental funds							$ 24,436,855	$ 26,237,266	$ 27,350,416	$ 32,801,124

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

Table 4

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
General property taxes	$ 21,098,729	$ 22,011,460	$ 22,262,298	$ 24,259,295	$ 22,831,071	$ 27,157,780	$ 23,818,310	$ 23,481,976	$ 26,459,832	$ 25,308,595
Other local taxes	6,932,533	7,591,154	7,627,538	8,129,734	7,985,593	8,405,033	8,494,183	8,425,201	8,707,937	8,595,179
Permits, privilege fees/regulatory licenses	93,462	179,406	204,618	206,454	135,509	352,348	31,956	41,144	42,889	105,139
Fines and Forfeitures	79,376	74,318	69,921	155,217	282,130	714,594	1,288,030	1,866,202	1,544,560	1,561,049
Revenue from use of money and property	992,484	1,736,958	2,033,562	1,407,833	593,272	349,168	369,081	293,153	275,553	220,657
Charges for services	353,602	517,450	499,070	511,741	501,426	536,670	587,937	680,400	662,134	684,206
Miscellaneous	143,552	549,450	271,236	266,593	167,241	471,399	227,644	1,148,605	2,323,369	2,083,113
Recovered costs	-	996,392	824,000	823,000	872,000	872,000	884,500	884,500	884,500	884,500
Intergovernmental	11,266,690	11,331,922	11,603,268	10,583,403	12,657,438	12,096,593	12,485,977	14,502,537	12,491,935	11,938,140
Total revenues	40,960,428	44,988,510	45,395,511	46,343,270	46,025,680	50,955,585	48,187,618	51,323,718	53,392,709	51,380,578
Expenditures:										
General government administration	2,725,084	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
Judicial administration	1,331,479	1,436,093	1,500,445	1,707,438	1,724,389	1,765,448	1,603,353	1,839,894	1,916,116	2,347,692
Public safety	10,307,147	10,594,210	11,715,197	12,235,866	12,549,248	12,864,356	10,220,079	11,107,197	10,966,050	13,363,832
Public works	3,339,381	3,736,617	3,682,520	4,161,179	4,248,535	3,953,139	3,414,050	3,468,258	3,570,454	3,927,276
Health and welfare	5,218,907	5,143,541	5,198,729	5,577,319	5,673,538	5,470,641	5,514,230	5,442,824	5,154,545	5,259,251
Education	9,564,280	9,708,817	9,800,130	10,507,034	11,045,621	15,691,522	20,957,047	21,060,268	11,102,916	10,787,674
Parks, recreation and cultural	2,216,435	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
Community development	1,308,672	1,164,345	978,544	1,078,552	1,003,857	1,040,742	793,509	657,839	718,234	889,540
Nondepartmental	864,169	746,960	903,500	968,612	864,074	1,025,073	5,075,563	4,866,933	5,153,440	1,056,007
Capital projects	1,511,459	6,254,211	10,846,799	3,823,661	1,837,201	1,098,458	4,167,481	3,552,164	3,003,770	4,190,524
Debt service:										
Principle	2,388,320	3,427,039	2,379,916	2,513,941	3,648,595	1,390,172	4,155,218	1,696,274	2,510,773	5,456,424
Interest	1,893,991	2,168,868	1,980,517	2,975,833	1,610,185	1,793,289	2,779,947	2,752,663	2,964,085	3,052,165
Total expenditures	42,669,324	49,533,032	54,449,103	51,322,938	50,061,577	51,706,020	63,597,037	61,664,456	52,213,064	56,382,797
Excess of revenues over (under) expenditures	(1,708,896)	(4,544,522)	(9,053,592)	(4,979,668)	(4,035,897)	(750,435)	(15,409,419)	(10,340,738)	1,179,645	(5,002,219)
Other financing sources (uses):										
Transfer in	4,236,279	4,394,863	4,369,935	3,636,893	3,401,401	6,199,463	3,986,103	3,493,901	4,688,553	6,663,226
Transfer out	(3,961,279)	(4,394,863)	(4,369,935)	(3,636,893)	(3,401,401)	(6,199,463)	(3,986,103)	(3,493,901)	(4,755,048)	(7,070,552)
Refunding bonds issued	-	-	-	18,210,000	2,155,000	-	-	-	-	-
Bonds issued	20,000,000	858,896	-	-	10,000,000	-	17,715,000	-	-	10,860,253
Premium on bonds issued	648,711	-	-	-	303,340	2,801,771	80,220	-	-	-
Refunded bonds redeemed	-	-	-	(20,000,000)	(2,126,000)	-	-	-	-	-
Interest rate subsidy	-	-	-	-	-	-	363,750	-	-	-
Sale of capital assets	-	-	-	1,000,000	-	-	-	-	-	-
Total other financing sources (uses), net	20,923,711	858,896	-	(790,000)	10,332,340	2,801,771	18,158,970	-	(66,495)	10,452,927
Net change in fund balances	$ 19,214,815	$ (3,685,626)	$ (9,053,592)	$ (5,769,668)	$ 6,296,443	$ 2,051,336	$ 2,749,551	$ (10,340,738)	$ 1,113,150	$ 5,450,708
Debt service as a percentage of noncapital expenditures	10.35%	13.06%	9.60%	11.10%	10.61%	6.29%	11.77%	7.66%	11.70%	15.70%

Table 5

City of Hopewell, Virginia

Assessed Value and Estimated Actual value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property Direct Tax Rate	Real Estate (1)	Personal Property Direct Tax Rate	Personal Property	M & T Property Direct Tax Rate	Machinery and Tools	Public Service	Total Direct Rate	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2014	1.08	$ 1,515,543,600	3.50	$ 108,045,354	3.05	$ 175,948,856	$ 351,700,185	1.08	$ 2,151,237,995	$ 2,140,481,805	100.50%
2013	1.08	1,500,249,500	3.50	108,045,354	3.05	154,636,072	351,556,622	1.08	2,114,487,548	2,103,915,110	100.50%
2012	1.02	1,330,768,380	3.50	122,695,512	3.05	131,032,392	331,805,550	1.32	1,916,301,834	1,906,720,325	100.50%
2011	0.99	1,359,312,700	3.50	129,530,486	3.05	179,114,467	344,749,605	1.33	2,012,707,258	2,002,643,728	100.50%
2010	0.99	1,357,143,000	3.05	128,089,039	3.05	142,657,510	344,073,128	1.27	1,971,962,677	1,932,523,430	102.04%
2009	0.96	1,338,397,100	3.05	113,630,555	3.05	140,866,828	344,073,128	1.23	1,936,967,611	1,898,228,265	102.04%
2008	1.09	1,145,283,664	3.05	127,665,229	3.05	119,046,593	308,044,862	1.37	1,700,412,530	1,649,400,154	103.09%
2007	1.09	1,122,108,000	3.05	124,658,770	3.05	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%
2005	1.20	926,602,083	3.05	118,025,410	3.05	176,400,688	361,479,667	1.54	1,582,507,848	1,499,091,288	105.56%

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

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

Table 6

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

Fiscal Year	Real Estate	Personal Property(2)	Machinery and Tools	Public Utility		Total Direct Rate(3)
				Real Estate	Personal Property	
2005	$1.20	$3.05	$3.05	$1.20	$3.05	$1.54
2006	1.20	3.05	3.05	1.20	3.05	1.51
2007	1.09	3.05	3.05	1.09	3.05	1.38
2008	1.09	3.05	3.05	1.09	3.05	1.37
2009	0.96	3.05	3.05	0.96	3.05	1.23
2010	0.99	3.50	3.05	0.99	3.50	1.27
2011	0.99	3.50	3.05	0.99	3.50	1.33
2012	1.02	3.50	3.05	1.02	3.50	1.20
2013	1.08	3.50	3.05	1.08	3.50	1.20
2014	1.11	3.50	3.05	1.08	3.50	1.20

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

Table 7

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

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

Source: Municipal Tax Assessor

Table 8

City of Hopewell, Virginia

Property Tax Levies and Collections
Last Ten Fiscal Years

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

Source: Municipal Tax Assessor

Table 9

City of Hopewell, Virginia

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities					Business-type Activities					
Fiscal Year	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	General Obligaiton Bond Premium	Capital Leases	Revenue Bonds	Revenue Bond Premium	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2014	$ 57,473,287	$ 3,021,800	$ -	$ 230,082	$ -	$ 33,680,000	$ 692,558	$ -	$ 95,097,727	12.22%	4,210
2013	51,595,511	3,496,000	-	248,510	-	34,830,000	718,958	-	90,888,979	11.68%	4,023
2012	53,632,083	3,970,200	-	266,938	-	35,405,000	725,736	-	93,999,957	12.08%	4,161
2011	54,854,157	4,444,400	-	279,072	-	32,205,000	387,480	-	92,170,109	8.44%	4,080
2010	40,597,744	5,093,600	-	291,206	-	28,580,000	661,103	-	75,223,653	10.14%	3,365
2009	39,329,300	5,821,300	-	303,340	-	11,245,000	-	-	56,698,940	7.73%	2,523
2008	31,342,111	6,559,000	-	-	-	11,735,000	-	-	49,636,111	7.22%	2,220
2007	34,814,452	7,390,000	-	259,485	-	12,200,000	-	-	54,663,937	8.15%	2,434
2006	36,363,368	8,221,000	-	389,227	-	12,685,000	-	28,334	57,658,595	8.84%	2,563
2005	37,000,511	9,052,000	1,100,000	518,969	-	13,305,000	-	56,667	60,976,480	10.84%	2,707

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

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

Table 10

City of Hopewell, Virginia

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Bonded Debt per Capita (1)
2014	$ 60,725,169	$ -	$ 60,725,169	4.66%	2,688
2013	55,340,021	-	55,340,021	4.24%	2,450
2012	57,869,221	-	57,869,221	4.35%	2,562
2011	59,577,629	-	59,577,629	4.38%	2,637
2010	45,982,550	4,500,000	41,482,550	2.09%	1,843
2009	45,453,940	4,500,000	40,953,940	2.10%	1,321
2008	37,901,111	4,500,000	33,401,111	1.96%	1,085
2007	42,463,937	4,500,000	37,963,937	2.22%	1,687
2006	44,973,595	4,500,000	40,473,595	2.36%	1,793
2005	46,571,480	4,500,000	42,071,480	2.67%	1,859

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

Table 11

City of Hopewell, Virginia

Legal Debt Margin Information
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	$ 92,660,208	$ 92,919,480	$112,210,800	$ 114,528,366	$133,839,710	$ 135,714,300	$ 135,931,270	$133,076,838	$ 130,445,020	$ 133,262,850
Total net debt applicable to limit	46,571,480	44,973,595	42,463,937	37,901,111	45,453,940	45,982,550	59,577,629	57,869,221	55,112,856	60,516,432
Legal debt margin	$ 46,088,728	$ 47,945,885	$ 69,746,863	$ 76,627,255	$ 88,385,770	$ 89,731,750	$ 76,353,641	$ 75,474,555	$ 75,332,164	$ 72,746,418
Total net debt applicable to the limit as a percentage of debt limit	50.26%	48.40%	37.84%	33.09%	33.96%	33.88%	43.83%	43.49%	42.25%	45.41%

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

Legal Debt Margin calculation for Fiscal Year 2014

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

Table 12

City of Hopewell, Virginia

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate(d)
2014	22,591	$ 778,341,324	$ 34,454	7.90%
2013	22,591	778,341,324	34,454	8.80%
2012	22,591	778,341,324	34,454	9.10%
2011	22,591	778,341,324	34,454	11.40%
2010	22,354	762,550,318	34,112	10.90%
2009	22,354	755,000,314	33,775	11.40%
2008	22,354	733,010,014	32,791	6.30%
2007	22,354	670,307,044	29,986	4.50%
2006	22,354	643,303,412	28,778	5.10%
2005	22,354	558,447,628	26,660	6.80%

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

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

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

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

Table 13

City of Hopewell, Virginia

Principal Employers
Current Year and Period Nine Years Prior

	Fiscal Year 2014		Fiscal Year 2005		
Employer	**Employees**	**Rank**	**Employees**	**Rank**	**% of Total City Employment**
City of Hopewell School System	500 to 999	1	n/a	n/a	0.00%
Honeywell International	500 to 999	2	n/a	n/a	0.00%
Columbia HCA/John Randolph Hospital	500 to 999	3	n/a	n/a	0.00%
City of Hopewell	250 to 499	4	n/a	n/a	0.00%
Alliance Group Rock Tenn	250 to 499	5	n/a	n/a	0.00%
Ashland Aqualon Company	100 to 249	6	n/a	n/a	0.00%
Evonik Industries	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

n/a - Information not currently available

Table 14

City of Hopewell, Virginia

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

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

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

Table 15

City of Hopewell, Virginia

Operating Indicators by Function
Last Ten Fiscal Years

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

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

Table 16

City of Hopewell, Virginia

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Adminisration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	4	4	6	6	6	6	6	6	6	5
Public Works										
Vehicles	-	-	43	43	43	43	43	43	46	48
Public safety										
Police department:										
Vehicles	-	-	61	60	60	60	60	60	60	60
Sheriff department:										
Vehicles	-	-	11	13	14	14	14	14	16	18
Fire department:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Fire trucks	6	6	6	6	6	6	6	6	5	5
Other vehicles	8	8	8	8	8	8	8	8	8	8
Building inspectors:										
Vehicles	6	7	7	7	7	7	7	7	9	10
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	12	12	12	12	12	12	12	12	12	12
Parks acreage	161	161	161	161	161	161	161	161	161	161
Swimming pools	1	1	1	1	1	1	1	1	1	1
Tennis courts	14	14	14	14	14	14	14	14	14	14
Ballfields	20	20	20	20	20	20	20	20	20	20
Soccerfields	8	8	8	8	8	8	8	8	8	8

Source: City Fixed Asset System by City departments

Cherry Bekaert LLP
CPAs & Advisors

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopewell, Virginia (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 23, 2015. That report recognizes that the City implemented one new accounting standard effective July 1, 2013.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and one instance of noncompliance that is required to be reported under the *Specifications for Audits of Counties, Cities and Towns,* which is reported in the accompanying Schedule of Findings and Questioned Costs as item 2014-003.

City of Hopewell, Virginia Response to Findings

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

Purpose of this Report

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

Cherry Bekaert LLP

Richmond, Virginia
June 23, 2015

Cherry Bekaert LLP
CPAs & Advisors

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

Cherry Bekaert LLP

Richmond, Virginia
June 23, 2015

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

	Federal Catalogue Number	Expenditures
Department of Agriculture		
Pass Through Payments:		
Department of Education		
National school breakfast program	10.553	$ 539,851
National school lunch program	10.555	1,297,593
Subtotal		1,837,444
Department of Social Services		
State Admin Matching Grants for Supplemental Nutrition Assistance Programs	10.561	412,987
Total Department of Agriculture		2,250,431
Department of Defense		
Direct Payment		
JROTC	12.000	64,522
Total Department of Defense		64,522
Department of Housing and Urban Development		
Direct Payments:		
Community Development Block Grant- State Programs	14.228	210,064
Total Department of Housing and Urban Development		210,064
Department of Justice		
Pass Through Payments:		
Bulletproof Vest Partnership Program	16.607	2,380
Victim Witness	16.575	77,685
Public Safety Partnership and Community Policing Grant	16.710	101,815
Edward Byrne Memorial Justice Assistance Program	16.738	21,555
Total Department of Justice		203,435
Department of Transportation		
Pass Through Payments:		
Dept. of Motor Vehicles		
State and Community Highway Safety Program - Police	20.600	3,090
Total Department of Transportation		3,090
Department of Education		
Direct Payments:		
Impact Aid	84.041	31,301
Pass Through Payments:		
Title I: Grants to local educational agencies	84.010	1,619,535
Special education cluster:		
Special education grants to states	84.027	851,864
Preschool Handicapped	84.173	22,662
Sub total		874,526
Career and Technical Education: National Programs	84.048	73,306
Advanced Placement Incentive Program	84.330	5,085
English Language Acquisition Grants (Title III)	84.365	23,402
Improving Teacher Quality State (Title II A)	84.367	224,215
School Improvement Grant	84.377	558,811
Total Department of Education		3,410,181

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

	Federal Catalogue Number	Expenditures
Department of Health and Human Services		
Direct Payments:		
Administration for Children, Youth and Families (Head Start and Day Care Grant)	93.600	925,063
Pass Through Payments:		
Promoting Safe and Stable Families	93.556	11,170
Temporary Assistance for Needy Families (TANF)	93.558	482,886
Low Income Home Energy Assistance	93.568	47,054
Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	61,467
Chafee Education and Training Vouchers Program	93.599	2,206
Child Welfare Services - State Grants	93.645	3,158
Foster Care - Title IV-E	93.658	255,214
Adoption Assistance	93.659	183,119
Social Services Block Grant	93.667	283,450
Chafee Foster Care Independence Program	93.674	4,216
State Children's Insurance Program	93.767	12,099
Medical Assistance Program	93.778	650,072
Total Department Health and Human Services		2,921,174
Department of Homeland Security		
Pass Through Payments:		
Dept. of Emergency Services		
Urban Areas Security Initiative	97.008	63,493
Emergency Management Performance Grants	97.042	42,959
Assistance to Firefighters Grant	97.044	15,218
Total Department of Homeland Security		121,670
Total federal expenditures		$ 9,184,567

Note 1 - General

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

Note 2 - Basis of Accounting

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

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

Note 3 - Relationship to the Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary Government	
General fund	$ 358,156
Special revenue funds:	
Virginia Public Assistance Fund	2,016,752
Community Development Block Grant Fund	216,033
Total primary government	2,590,941
Component Unit - School Board:	
School Operating Fund	4,685,592
School Cafeteria Fund	1,968,881
Total component unit school board	6,654,473
Total federal revenues per basic financial statements	9,245,414
Other reconciling items	67,590
Reconciliation for school food commodities	(128,437)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$ 9,184,567

CITY OF HOPEWELL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Summary of Auditor's Results

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

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

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

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

2014-001 – Material Weakness – Financial Accounting and Reporting

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

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

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

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

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

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

View of Responsible Officials and Planned Corrective Action:

Responsible Person: Jerry Whitaker, City Finance Director

Estimated completion: Currently under evaluation

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

C. Findings and Questioned Costs Relating to Federal Awards:

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

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

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

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

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

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

Questioned Costs: Unknown

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

View of Responsible Officials and Planned Corrective Action:

Responsible Person: Ray Spicer, Director of Social Services

Estimated completion: Currently in process

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

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

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

2014-003 Conflicts of Interest

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

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

Cause:
Unknown

Effect:
Non-compliance may result in action by the Commonwealth.

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

View of Responsible Officials and Planned Corrective Action:

Responsible Person: Cynthia Ames, City Clerk

Estimated completion: Currently in process

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

CITY OF HOPEWELL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Status of Prior Year Findings:

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

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

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

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

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

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

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