

# **CITY OF HOPEWELL, VIRGINIA**



**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2013**

# **CITY OF HOPEWELL, VIRGINIA**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2013**

Prepared by  
Department of Finance  
Jerry L. Whitaker, CPA, 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**

Edwin C. Daley, 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

Gregory L. Anderson, Sheriff

Dr. John A. Fahey, Superintendent of Schools

John M. Altman, Jr., Director of Development

Nancy Treanor, Director of Social Services

Edward O. Watson, Director of Public Works

Mark A. Haley, Director of Regional Wastewater Treatment Facility

Mary Jo Turek, Director of Recreation

John E. Tunstall, Jr., Chief, Fire Department

John F. Keohane, Chief, Police Department

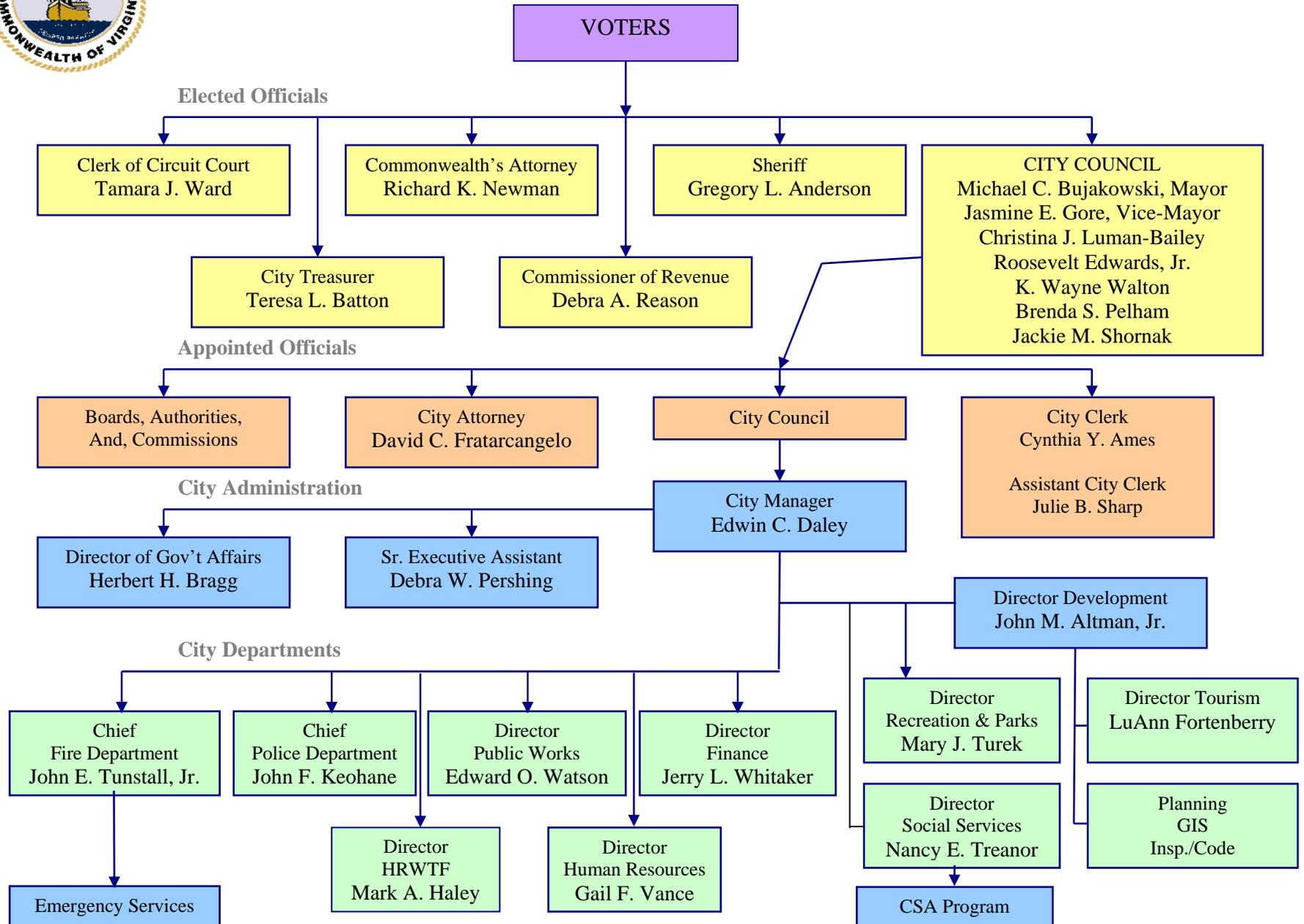
Jerry L. Whitaker, CPA, Director of Finance

Herbert Bragg, Director of Governmental Affairs

Gail F. Vance, Director of Human Resources



# 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, 2012**

Executive Director/CEO



**Mark A. Haley**  
City Manager

mhaley@hopewellva.gov  
p: 804.541.2243  
f: 804.541.2248

February 17, 2014

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, 2013 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 Government 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 of Hopewell 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.

## SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

The list below highlights some of the City's achievements/events for 2013:

### Finance

- The City issued a RFP 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.
- The City hired Jerry L. Whitaker as the new Director of Finance. Jerry is a Certificated Public Accountant and a Certified Government Finance Manager.

### HRWTF

- Completed a pilot study on nutrient removal technology
- Installed new chlorine control system

### Neighborhood Assistance and Planning

- Recorded \$5,900,000 in sub-division streets (infrastructure assets) accepted by the City from Developers

### Police

- Virginia State Accreditation - 85th Law Enforcement Agency to be accredited in the Commonwealth out of over 400 law enforcement agencies. Hopewell Police was able to obtain full accreditation in an unprecedented two year process. Many agencies average 3-5 years to obtain initial accreditation.

### Public Works

- Beacon Theatre and Marina projects have been substantially completed

### Tourism

- Tourism Director received the 2012 Travel Employee of the Year award from the Virginia Hospitality & Travel Association on April 9, 2013. Director Fortenberry was recognized for keeping the Hopewell Visitor Center open on Mondays and Tuesdays after it was officially closed due to budget cuts in late 2010.

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 there 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.

**Suggestion/Innovation Award Program** – The purpose of this program is to encourage all full and part-time employees to contribute constructive suggestions and innovative solutions which may result in work efficiencies, energy savings, or monetary savings to the City. In addition, it encourages increased effectiveness of service to the public, safer working conditions, and better public relations. The City Manager may award up to \$500 to the individual or individuals that meet the recommended objectives of this program.

## **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, 2013 provided two instances of significant 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, total \$100,899,693 in 2013. This represents a decrease of \$7,841,171 from last year. Last year’s revenues included \$8,293,129 for School’s capital projects. Property taxes and intergovernmental revenues accounted for approximately 89% of revenues in the governmental funds.

Assessed real property valuations of \$1,500,249,500 were consistent with the prior year. Property tax collections were 97.55% of the tax levy, which is consistent with 97.37% from last year. The ratio of total collections (current and delinquent) to the current tax levy was 97.55%.

Total expenditures from governmental funds, which include General, Special Revenue, and Capital Projects plus the School Board and Comprehensive Services Act Board component units, total \$101,127,152 in 2013. This represents a decrease of \$17,291,004, or 15%, over 2012. Last year's expenditures included \$16,518,663 more in capital projects compared to the current year.

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 an increase this year. The unassigned fund balance for the General Fund was \$6,110,082 on June 30, 2013. This represents an increase of \$2,025,636. Obligated fund balances are: \$107,710 for non-spendable inventory and prepaid items, assigned fund balances include: \$656,454 for cemetery perpetual care, \$657,357 for fire equipment replacement, \$4,403,035 for rainy day emergency response, \$878,866 for the self-insurance fund and \$589,324 for next year's budget.

Virginia Public Assistance Fund assigned fund balance was \$215,871 at year end.

Capital Projects Fund expenditures amounted to \$7,844,342 of which \$3,070,265 was spent on community development and infrastructure improvements, \$1,871,553 on school projects and \$2,902,524 was for long-term debt service.

The Capital Projects Fund assigned fund balance at June 30, 2013 was \$5,789,508, of which \$1,309,317 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 loss of \$54,425 for the year ended June 30, 2013. The Sewer Service Fund had a net gain of \$1,013,114 with restricted assets of \$2,344,792 as of June 30, 2013. The Solid Waste Fund had a net loss of \$178,240, leaving unrestricted net assets of \$2,093,093 as of June 30, 2013. The Beacon Theater Fund had a net gain of \$1,160,000 for the year ended June 30, 2013.

***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 2013 fiscal year were as follows:

	<u>Amount</u>	<u>Ratio of debt to assessed value</u>	<u>Debt per capita</u>
Bonded Debt	\$ 55,340,021	3.69%	\$ 2,450

Of the General Obligation bonded debt outstanding at June 30, 2013, \$20,366,511 was School bonds, \$3,496,000 was School literary loans, and \$31,229,000 represented City public improvement bonds. In addition to the bonded debt, general long-term obligations of the City at June 30, 2013 include \$827,279 for compensated absences, \$575,807 for landfill closure maintenance costs, \$4,399,011 for OPEB liability and \$248,510 in unamortized bond premium.

***Prospects for the Future***

City Council adopted a budget of \$92,043,000 for its general governmental funds (General Fund, Special Revenue Funds, Component Units, and Capital Projects Funds) for fiscal year 2013-14.

## 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*

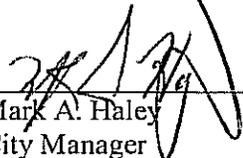
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hopewell for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the twenty-seventh consecutive year the City received this award.

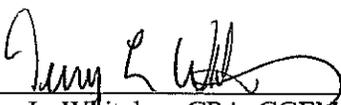
In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## ACKNOWLEDGMENTS

This report could not have been prepared in a timely manner 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

## **FINANCIAL SECTION**

## 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopewell, Virginia (the "City"), as of and for the year ended June 30, 2013, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, 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 note 17 to the financial statements, the net position as of June 30, 2012 of the governmental activities has been restated. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus*, and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. 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 pension information and related notes on pages 18-25, 68-69 and 70-72, 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 February 17, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

 Cheryl Behrman CP

Richmond, Virginia  
February 17, 2014

The Honorable Members of City Council

City of Hopewell, Virginia

### **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, 2013. 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 \$60.7 million for the City's Primary Government. Of this total, \$31.5 million were for our business-type activities
- In the City's business-type activities, operating and non-operating revenues equaled \$20.1 million while expenses were \$18.2 million
- The total cost of all the City's programs and services was \$112.2 million
- During this year, the net position of the City's governmental activities increased by \$2.8 million.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are the government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how the general government services like public safety, public works and social services were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the Regional 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

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

### **Government-wide Statements**

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

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

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

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

- Governmental activities — Most of the City's basic services are included here, such as the police, fire, public works, parks, and social services departments, and general administration. Property taxes and state and federal grants finance the biggest share of these activities.
- Business-type activities — The City charges fees to customers to help it cover the costs of certain services it provides. The City's Regional 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, 2013

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2012-2013
	2012	2013	2012	2013	2012	2013	
Current and other assets	\$32,016,918	\$31,455,563	\$35,929,846	\$32,012,305	\$67,946,764	\$63,467,868	(6.59%)
Capital assets	58,473,676	62,268,252	34,273,611	39,474,388	92,747,287	101,742,640	9.70%
<b>Total Assets</b>	<b>\$90,490,594</b>	<b>\$93,723,815</b>	<b>\$70,203,457</b>	<b>\$71,486,693</b>	<b>\$160,694,051</b>	<b>\$165,210,508</b>	
Other Liabilities	\$7,673,039	\$6,610,385	\$3,335,255	\$4,640,134	\$11,008,294	\$11,250,519	2.20%
Long-term debt outstanding	59,363,263	57,956,958	37,122,927	35,306,140	96,486,190	93,263,098	(3.34%)
<b>Total Liabilities</b>	<b>\$67,036,302</b>	<b>\$64,567,343</b>	<b>\$40,458,182</b>	<b>\$39,946,274</b>	<b>\$107,494,484</b>	<b>\$104,513,617</b>	
Net Position:							
Net Investment in capital assets	\$2,934,686	\$8,237,548	\$4,439,464	\$5,573,075	\$7,374,150	\$13,810,623	87.28%
Restricted	469,962	472,833	502,351	-	972,313	472,833	(51.37%)
Unrestricted	20,049,644	20,446,091	24,658,155	25,967,344	44,707,799	46,413,435	3.82%
<b>Total Net Position</b>	<b>\$23,454,292</b>	<b>\$29,156,472</b>	<b>\$29,745,275</b>	<b>\$31,540,419</b>	<b>\$53,054,262</b>	<b>\$60,696,891</b>	

Total net position increased approximately \$2.8 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 two percent over 2012. At the same time, expenses decreased by seven percent over 2012. The combined revenues and expenses created an increase in net position of \$2,798,781. Net position increased due to a combination of increased federal & state grants, tax revenues, and other revenues.

#### Business-type Activities

Charges for services of the City's business-type activities increased four percent, and expenses increased by twelve percent. The combined revenues and expenses created an increase in net position of \$1,940,449.

**City of Hopewell, Virginia**  
**Changes in Net Position**  
**For the year ended June 30, 2013**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2012	2013	2012	2013	2012	2013	2012-2013
<b>Revenues</b>							
Program revenues:							
Charges for services	\$932,705	\$873,932	\$17,775,706	\$18,358,264	\$18,708,411	\$19,232,196	2.80%
Federal/state grants and entitlements	12,526,028	10,709,588	-	-	12,526,028	10,709,588	(14.50%)
General revenues:							
Property taxes	24,250,333	25,324,405	-	-	24,250,333	25,324,405	4.43%
Other taxes	10,421,502	10,481,428	-	-	10,421,502	10,481,428	0.58%
Other	3,993,816	3,549,908	3,560,967	1,746,180	7,554,783	5,296,088	(29.90%)
<b>Total Revenues</b>	<b>52,124,384</b>	<b>50,939,261</b>	<b>21,336,673</b>	<b>20,104,444</b>	<b>73,461,057</b>	<b>71,043,705</b>	
<b>Expenses</b>							
General government	8,303,573	8,482,373	-	-	8,303,573	8,482,373	2.15%
Judicial	2,107,894	2,217,984	-	-	2,107,894	2,217,984	5.22%
Public safety	11,841,600	11,720,652	-	-	11,841,600	11,720,652	(1.02%)
Public works	4,203,248	711,805	-	-	4,203,248	711,805	(83.07%)
Health & welfare	5,548,091	5,259,409	-	-	5,548,091	5,259,409	(5.20%)
Education	14,701,888	13,675,250	-	-	14,701,888	13,675,250	(6.98%)
Parks, recreation, and	2,311,175	2,462,345	-	-	2,311,175	2,462,345	6.54%
Community development	735,236	729,140	-	-	735,236	729,140	(0.83%)
Interest on long-term debt	1,836,461	1,655,027	-	-	1,836,461	1,655,027	(9.88%)
Public utilities	-	-	16,193,604	18,163,995	16,193,604	18,163,995	12.17%
<b>Total Expenses</b>	<b>51,589,166</b>	<b>\$46,913,985</b>	<b>16,193,604</b>	<b>\$18,163,995</b>	<b>\$67,782,770</b>	<b>\$65,077,980</b>	
Special item - loss on capital contributed	-	(\$1,160,000)	-	-	-	(\$1,160,000)	
<b>Increase in Net Position</b>	<b>\$ 535,218</b>	<b>\$ 2,865,276</b>	<b>\$ 5,143,069</b>	<b>\$ 1,940,449</b>	<b>\$ 5,678,287</b>	<b>\$ 4,805,725</b>	

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 67% of the \$46.9 million total costs of services.
- However, the amount that our taxpayers paid for these activities was \$35.3 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 \$35.3 million "public benefit" portion with taxes and with other revenues such as interest, and unrestricted state aid.

**City of Hopewell, Virginia**  
**Net Cost of Certain Governmental Activities**  
**For the year ended June 30, 2013**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2012	2013	2012-2013	2012	2013	2012-2013
Public Safety	\$11,841,600	\$11,720,652	(1.02%)	\$10,119,153	\$9,944,655	(1.72%)
Public Works	4,203,248	711,805	(83.07%)	(551,830)	3,122,829	(665.90%)
Education	14,701,888	13,675,250	(6.98%)	12,789,460	13,675,250	6.93%
Health & Welfare	5,548,091	5,259,409	(5.20%)	2,013,898	2,266,207	12.53%
Other	15,294,339	15,546,869	1.65%	13,759,752	6,321,524	(54.06%)
<b>Total</b>	<b>\$51,589,166</b>	<b>\$46,913,985</b>		<b>\$38,130,433</b>	<b>\$35,330,465</b>	

## 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 \$6.1 million. After adjusting assigned account balances at year-end, the General Fund balance showed a net increase of \$2,049,256.

### 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 \$7.3 million, which is approximately \$900,000 less 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 \$215,871. For this reporting period, revenues exceeded expenditures by \$128,003 and only minimum change occurred to the assigned fund balance.

### 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 \$1.7 million below final budget amounts. The most significant positive budget variance resulted from - General Government administration (\$145,918), Public safety (697,176), Public works (205,214), Health and welfare (138,078) and Non-Departmental (346,669)

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2013, the City had invested \$103.5 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). This amount represents a net increase (including additions and deductions) of \$10.8 million from last year.

**Table A-4**

#### City of Hopewell, Virginia Capital Assets net of Depreciation At June 30, 2013

	Governmental		Business-type		Total		Total Percentage Change 2012-2013
	Activities		Activities				
	2012	2013	2012	2013	2012	2013	
Land	\$6,622,991	\$6,622,991	\$313,946	\$442,046	\$6,936,937	\$7,065,037	1.85%
Buildings, system improvements, and Infrastructure	24,355,724	29,096,156	8,612,276	31,656,589	32,968,000	60,752,745	84.28%
Equipment	2,254,678	2,686,594	3,903,675	2,685,667	6,158,353	5,372,261	(12.76%)
Construction in Progress	-	-	21,443,714	6,461,034	21,443,714	6,461,034	(69.87%)
Jointly Owned Assets	25,240,283	23,862,511	-	-	25,240,283	23,862,511	(5.46%)
<b>Total</b>	<b>\$58,473,676</b>	<b>\$62,268,252</b>	<b>\$34,273,611</b>	<b>\$41,245,336</b>	<b>\$92,747,287</b>	<b>\$103,513,588</b>	

#### This year's major capital asset additions included:

- City Marina
- Various Sewer Fund projects
- Various Roads and Improvements related to real estate development

More detailed information on capital assets can be found in footnote 5 to the financial statements.

The City's fiscal year 2014 capital projects budget is \$6.9 million of which \$3.9 million is for debt service.

### LONG-TERM DEBT- Government Activities

At year-end, the City had \$55.1 million in General Obligation bonds and Literary Loans outstanding, a decrease of three percent 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, 2013

	Governmental		Business-type		Total		Total Percentage Change 2012-2013
	Activities		Activities				
	2012	2013	2012	2013	2012	2013	
General obligation bonds	\$53,632,083	\$51,595,511	-	-	\$53,632,083	\$51,595,511	(3.80%)
Literary loans	3,970,200	3,496,000	-	-	3,970,200	3,496,000	(11.94%)
Revenue bonds	-	-	35,405,000	34,830,000	35,405,000	34,830,000	(1.62%)
<b>Total</b>	<b>\$57,602,283</b>	<b>\$55,091,511</b>	<b>\$35,405,000</b>	<b>\$34,830,000</b>	<b>\$93,007,283</b>	<b>\$89,921,511</b>	

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

- Unemployment in the City at June 30, 2013 stood at 8.8 percent versus 9.1 percent 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 percent from June, 2008 - June, 2009.
  - The U. S city average, all items, 1982-84 base CPI index change was -1.0 percent from June, 2008 - June, 2009.

These indicators and other goals were taken into account when adopting the general fund budget for 2014. Amounts available for appropriation in the general fund budget are \$45.8 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 \$45.8 million. One-time capital expenditures in the amount of \$1.8 million account for the increase in the budget over the prior year.

It is estimated that the City's unassigned general fund balance will not change at the close of 2014 as the result of the adoption of a balanced budget for FY2014. As for the City's business-type activities, we expect the 2014 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 and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Hopewell Finance Office, 300 N. Main Street, Hopewell, VA 23860 or call 804-541-2306.

## City of Hopewell, Virginia

## Statement of Net Position

June 30, 2013

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-type Activities	Total	School Board	Comprehensive Services Act Board
<b>Assets</b>					
Cash and investments	\$ 21,765,463	\$ 22,777,553	\$ 44,543,016	\$ 5,712,888	\$ -
Taxes receivable	1,286,391	-	1,286,391	-	-
Accounts receivable	446,796	1,962,991	2,409,787	105,051	-
Note receivable	-	47,678	47,678	-	-
Interest receivable	67	38,011	38,078	-	-
Due from School Board, current portion	100,545	-	100,545	-	-
Due from Community Services Act Board	230,231	-	230,231	-	-
Due from other governmental units	1,192,575	-	1,192,575	1,787,864	366,206
Internal balances	2,827,936	(2,827,936)	-	-	-
Inventories	87,210	1,037,876	1,125,086	68,420	-
Prepaid expenses	20,500	1,486,183	1,506,683	-	-
Restricted assets:					
Temporarily restricted:					
Cash and investments (in custody of others)	1,311,035	2,704,633	4,015,668	-	-
Due from School Board, net of current portion	1,711,123	-	1,711,123	-	-
Note receivable, net of current portion	-	3,014,368	3,014,368	-	-
Unamortized bond issue costs	475,691	-	475,691	-	-
Capital assets, net of accumulated depreciation:					
Land	6,622,991	442,046	7,065,037	398,728	-
Buildings, system improvements, and Infrastructure	52,958,667	31,656,589	84,615,256	24,569,205	-
Machinery and equipment	2,686,594	2,685,667	5,372,261	2,569,732	-
Work in progress	-	6,461,034	6,461,034	-	-
<b>Total assets</b>	<b>\$ 93,723,815</b>	<b>\$ 71,486,693</b>	<b>\$ 165,210,508</b>	<b>\$ 35,211,888</b>	<b>\$ 366,206</b>
<b>Liabilities</b>					
Accounts payable	\$ 1,303,340	\$ 886,485	\$ 2,189,825	\$ 492,163	\$ 135,144
Accrued liabilities	696,139	1,976,581	2,672,720	4,017,780	831
Accrued interest payable	670,618	13,594	684,212	-	-
Due to Primary Government, current portion	-	-	-	100,545	230,231
Unearned revenues	524,993	345,377	870,370	50,405	-
Long-term liabilities:					
Due within one year	3,415,294	1,418,097	4,833,391	232,633	-
Due to Primary Government, net of current portion	-	-	-	1,711,123	-
Due in more than one year	57,956,959	35,306,140	93,263,099	1,424,301	-
<b>Total liabilities</b>	<b>\$ 64,567,343</b>	<b>\$ 39,946,274</b>	<b>\$ 104,513,617</b>	<b>\$ 8,028,950</b>	<b>\$ 366,206</b>
<b>Net position</b>					
Net investment in capital assets	\$ 8,237,548	\$ 5,573,075	\$ 13,810,623	\$ 25,725,997	\$ -
Restricted for:					
Perpetual care	400,000	-	400,000	-	-
Other	72,833	-	72,833	984,181	-
Unrestricted	20,446,091	25,967,344	46,413,435	472,760	-
<b>Total net position</b>	<b>\$ 29,156,472</b>	<b>\$ 31,540,419</b>	<b>\$ 60,696,891</b>	<b>\$ 27,182,938</b>	<b>\$ -</b>

**City of Hopewell, Virginia**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

**Exhibit 2**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		
					Governmental Activities	Business-type Activities	Total	School Board	Comprehensive Services Act Board
<b>Primary Government:</b>									
Governmental activities:									
General government administration	\$ 8,482,373	\$ 4,464	\$ 1,819,267	\$ -	\$ (6,658,642)	\$ -	\$ (6,658,642)	\$ -	\$ -
Judicial administration	2,217,984	37,325	575,067	-	(1,605,592)	-	(1,605,592)	-	-
Public safety	11,720,652	534,761	1,241,236	-	(9,944,655)	-	(9,944,655)	-	-
Public works	711,805	3	3,593,534	307,592	3,189,324	-	3,189,324	-	-
Health and welfare	5,259,409	-	2,993,202	-	(2,266,207)	-	(2,266,207)	-	-
Education	13,675,250	-	-	-	(13,675,250)	-	(13,675,250)	-	-
Parks, recreation, and cultural	2,462,345	245,420	-	-	(2,216,925)	-	(2,216,925)	-	-
Community development	729,140	51,959	5,648	174,042	(497,491)	-	(497,491)	-	-
Interest on long-term debt	1,655,027	-	-	-	(1,655,027)	-	(1,655,027)	-	-
Total governmental activities	<u>\$ 46,913,985</u>	<u>\$ 873,932</u>	<u>\$ 10,227,954</u>	<u>\$ 481,634</u>	<u>\$ (35,330,465)</u>	<u>\$ -</u>	<u>\$ (35,330,465)</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities:									
Hopewell Regional Wastewater Facilities Fund	\$ 10,454,480	\$ 10,286,591	\$ -	\$ 1,160,000	\$ -	\$ 992,111	\$ 992,111	\$ -	\$ -
Sewer Service Fund	5,348,617	5,956,075	-	-	-	607,458	607,458	-	-
Solid Waste Fund	2,272,546	2,093,741	-	-	-	(178,805)	(178,805)	-	-
Beacon Theater Fund	88,352	21,857	-	-	-	(66,495)	(66,495)	-	-
Total business-type activities	<u>\$ 18,163,995</u>	<u>\$ 18,358,264</u>	<u>\$ -</u>	<u>\$ 1,160,000</u>	<u>\$ -</u>	<u>\$ 1,354,269</u>	<u>\$ 1,354,269</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Primary Government</b>	<u>\$ 65,077,980</u>	<u>\$ 19,232,196</u>	<u>\$ 10,227,954</u>	<u>\$ 1,641,634</u>	<u>\$ (35,330,465)</u>	<u>\$ 1,354,269</u>	<u>\$ (33,976,196)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Component units:</b>									
School Board	\$ 42,260,211	\$ 717,127	\$ 31,430,809	\$ -	\$ -	\$ -	\$ -	\$ (10,112,275)	\$ -
Comprehensive Services Act Board	3,685,604	-	2,688,734	-	-	-	-	-	(996,870)
<b>Total component units</b>	<u>\$ 45,945,815</u>	<u>\$ 717,127</u>	<u>\$ 34,119,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,112,275)</u>	<u>\$ (996,870)</u>
General revenues:									
General property taxes					\$ 25,324,405	\$ -	\$ 25,324,405	\$ -	\$ -
Local sales tax					1,989,128	-	1,989,128	-	-
Business license tax					1,738,831	-	1,738,831	-	-
Communications tax					863,070	-	863,070	-	-
Restuarant food taxes					1,765,222	-	1,765,222	-	-
Other local taxes					4,058,682	-	4,058,682	-	-
Unrestricted from use of money and property					110,552	303,374	413,926	974	-
Miscellaneous					1,736,852	216,311	1,953,163	189,165	27,926
Grants and contributions not restricted to specific programs					1,768,999	-	1,768,999	11,484,922	967,327
Transfers					(66,495)	66,495	-	-	-
Total general revenues					<u>\$ 39,289,246</u>	<u>\$ 586,180</u>	<u>\$ 39,875,426</u>	<u>\$ 11,675,061</u>	<u>\$ 995,253</u>
Special item- loss on capital contributed					<u>\$ (1,160,000)</u>	<u>\$ -</u>	<u>\$ (1,160,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Change in net position					<u>\$ 2,798,781</u>	<u>\$ 1,940,449</u>	<u>\$ 4,739,230</u>	<u>\$ 1,562,786</u>	<u>\$ (1,617)</u>
Net position - beginning, as restated (Note 17)					26,357,691	29,599,970	55,957,661	25,620,152	1,617
Net position - ending					<u>\$ 29,156,472</u>	<u>\$ 31,540,419</u>	<u>\$ 60,696,891</u>	<u>\$ 27,182,938</u>	<u>\$ -</u>

**City of Hopewell, Virginia**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 13,881,701	\$ -	\$ 7,508,311	\$ 375,451	\$ 21,765,463
Receivables (net of allowance for uncollectibles)					
Taxes receivable	1,286,391	-	-	-	1,286,391
Accounts receivable	148,302	-	298,488	6	446,796
Interest receivable	13	-	54	-	67
Due from other funds	9,661	-	-	-	9,661
Due from School Board			1,811,668		1,811,668
Due from CSA	230,231	-	-	-	230,231
Due from other governmental units	947,715	244,860	-	-	1,192,575
Advance to Beacon Theater	-	-	2,827,936	-	2,827,936
Inventories	87,210	-	-	-	87,210
Prepaid items	20,500	-	-	-	20,500
Restricted assets:					
Temporarily restricted:					
Cash and investments	-	-	1,311,035	-	1,311,035
Total Assets	<u>\$ 16,611,724</u>	<u>\$ 244,860</u>	<u>\$ 13,757,492</u>	<u>\$ 375,457</u>	<u>\$ 30,989,533</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 596,650	\$ 215	\$ 660,411	\$ 46,065	\$ 1,303,341
Accrued liabilities	582,270	19,113	5,000	89,756	696,139
Due to other funds	-	9,661	-	-	9,661
Unearned revenues	1,629,976	-	-	-	1,629,976
Total Liabilities	<u>\$ 2,808,896</u>	<u>\$ 28,989</u>	<u>\$ 665,411</u>	<u>\$ 135,821</u>	<u>\$ 3,639,117</u>
Fund balances:					
Non-spendable:					
Inventories	\$ 87,210	\$ -	\$ -	\$ -	\$ 87,210
Prepaid items	20,500	-	-	-	20,500
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	589,324	-	-	-	589,324
Perpetual care	656,454	-	-	-	656,454
Rainy day emergency	4,403,035	-	-	-	4,403,035
Self insurance	878,866	-	-	-	878,866
Assigned to funds	-	215,871	7,302,573	239,636	7,758,080
Unassigned	6,110,082	-	-	-	6,110,082
Total fund balances	<u>\$ 13,802,828</u>	<u>\$ 215,871</u>	<u>\$ 13,092,081</u>	<u>\$ 239,636</u>	<u>\$ 27,350,416</u>
Total Liabilities and Fund Balances	<u>\$ 16,611,724</u>	<u>\$ 244,860</u>	<u>\$ 13,757,492</u>	<u>\$ 375,457</u>	<u>\$ 30,989,533</u>

**City of Hopewell, Virginia**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Position**  
**June 30, 2013**

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 27,350,416
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		62,268,252
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unearned revenues		1,104,984
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	(51,595,511)	
Unamortized bond issue costs	475,691	
Bond issuance premium	(248,510)	
State literary fund loans payable	(3,496,000)	
Landfill closure liability	(575,807)	
Accrued interest payable	(670,618)	
Other postemployment benefit obligations	(4,399,011)	
Compensated absences	(1,057,414)	
	(61,567,180)	(61,567,180)
Net position of governmental activities		\$ 29,156,472

**City of Hopewell, Virginia**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

	General	Virginia Public Assistance	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
General property taxes	\$ 26,459,832	\$ -	\$ -	\$ -	\$ 26,459,832
Other local taxes	6,086,273	-	2,621,664	-	8,707,937
Permits, privilege fees, and regulatory licenses	42,889	-	-	-	42,889
Fines and forfeitures	1,544,560	-	-	-	1,544,560
Revenue from the use of money and property	72,725	3	37,792	165,033	275,553
Charges for services	576,570	-	-	85,564	662,134
Miscellaneous	1,356,401	-	933,499	33,469	2,323,369
Recovered costs	884,500	-	-	-	884,500
Intergovernmental revenues:					
Commonwealth	7,994,789	1,133,884	307,592	5,648	9,441,913
Federal	852,345	1,859,318	150,969	187,390	3,050,022
Total revenues	<u>\$ 45,870,884</u>	<u>\$ 2,993,205</u>	<u>\$ 4,051,516</u>	<u>\$ 477,104</u>	<u>\$ 53,392,709</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	\$ 3,038,151	\$ -	\$ -	\$ -	\$ 3,038,151
Judicial administration	1,916,116	-	-	-	1,916,116
Public safety	10,966,050	-	-	-	10,966,050
Public works	3,500,238	-	-	3,721	3,503,959
Health and welfare	1,581,707	3,572,838	-	-	5,154,545
Education	9,231,363	-	1,871,553	-	11,102,916
Parks, recreation, and cultural	564,274	-	-	1,550,256	2,114,530
Community development	546,388	-	-	171,846	718,234
Nondepartmental	5,153,440	-	-	-	5,153,440
Capital projects	-	-	3,070,265	-	3,070,265
Debt service:					
Principal retirement	1,457,773	-	1,053,000	-	2,510,773
Interest and other fiscal charges	1,114,561	-	1,849,524	-	2,964,085
Total expenditures	<u>\$ 39,070,061</u>	<u>\$ 3,572,838</u>	<u>\$ 7,844,342</u>	<u>\$ 1,725,823</u>	<u>\$ 52,213,064</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,800,823</u>	<u>(579,633)</u>	<u>(3,792,826)</u>	<u>(1,248,719)</u>	<u>1,179,645</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	\$ -	\$ 707,636	\$ 2,689,613	\$ 1,291,304	\$ 4,688,553
Operating transfers out	(4,751,567)	-	-	(3,481)	(4,755,048)
Total other financing sources (uses), net	<u>\$ (4,751,567)</u>	<u>\$ 707,636</u>	<u>\$ 2,689,613</u>	<u>\$ 1,287,823</u>	<u>\$ (66,495)</u>
Net change in fund balances	2,049,256	128,003	(1,103,213)	39,104	1,113,150
Fund balance - beginning	11,753,572	87,868	14,195,294	200,532	26,237,266
Fund balance - ending	<u>\$ 13,802,828</u>	<u>\$ 215,871</u>	<u>\$ 13,092,081</u>	<u>\$ 239,636</u>	<u>\$ 27,350,416</u>

**City of Hopewell, Virginia**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

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

Net change in fund balances - total governmental funds		\$ 1,113,150
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
Capital outlay	5,424,328	
Jointly-owned assets adjustment	(961,106)	
Depreciation expense	<u>(2,210,720)</u>	2,252,502
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes		(1,093,097)
Loss on sale of assets		(1,361,325)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Amortization of bond premium	18,428	
Amortization of bond issuance cost	(23,785)	
Principal payments on debt	2,510,773	
Increase in landfill closure liability	<u>(177,576)</u>	2,327,840
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Decrease in interest payable	200,828	
Increase in other postemployment benefit payable	(508,444)	
Increase in compensated absences	<u>(132,673)</u>	(440,289)
Change in Net Position of governmental activities		<u>\$ 2,798,781</u>

**City of Hopewell, Virginia**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total</b>
	<b>Hopewell Regional Wastewater Facilities Fund</b>	<b>Sewer Service Fund</b>	<b>Solid Waste Fund</b>	<b>Non-major Beacon Theater Fund</b>	
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 5,878,156	\$ 15,134,736	\$ 1,764,661	\$ -	\$ 22,777,553
Accounts receivable, net of allowances for uncollectibles	325,163	1,228,524	409,304	-	1,962,991
Note receivable	-	47,678	-	-	47,678
Interest receivable	10	38,001	-	-	38,011
Due from HRWTF, current portion	-	160,270	-	-	160,270
Inventories	1,037,876	-	-	-	1,037,876
Prepaid expenses	350,060	1,136,123	-	-	1,486,183
Total current assets	<u>\$ 7,591,265</u>	<u>\$ 17,745,332</u>	<u>\$ 2,173,965</u>	<u>\$ -</u>	<u>\$ 27,510,562</u>
Noncurrent assets:					
Restricted assets:					
Cash and investments	\$ 359,841	\$ 2,344,792	\$ -	\$ -	\$ 2,704,633
Total restricted assets	<u>\$ 359,841</u>	<u>\$ 2,344,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,704,633</u>
Due from HRWTF, net of current portion	-	160,270	-	-	160,270
Note receivable	-	3,014,368	-	-	3,014,368
Capital assets:					
Utility plant in service and buildings	10,220,916	501,878	-	1,031,900	11,754,694
Land	216,026	97,920	-	128,100	442,046
Machinery and equipment	53,295,363	899,308	31,230	-	54,225,901
Work in progress	904,178	2,728,920	-	2,827,936	6,461,034
Sewer main improvements	-	32,932,973	-	-	32,932,973
Accumulated depreciation	(59,372,901)	(5,192,165)	(6,246)	-	(64,571,312)
Total capital assets	<u>\$ 5,263,582</u>	<u>\$ 31,968,834</u>	<u>\$ 24,984</u>	<u>\$ 3,987,936</u>	<u>\$ 41,245,336</u>
Total noncurrent assets	<u>\$ 5,623,423</u>	<u>\$ 37,488,264</u>	<u>\$ 24,984</u>	<u>\$ 3,987,936</u>	<u>\$ 47,124,607</u>
Total assets	<u>\$ 13,214,688</u>	<u>\$ 55,233,596</u>	<u>\$ 2,198,949</u>	<u>\$ 3,987,936</u>	<u>\$ 74,635,169</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 546,274	\$ 269,063	\$ 71,148	\$ -	\$ 886,485
Accrued liabilities	1,984,067	5,023	1,085	-	1,990,175
Compensated absences	218,030	19,868	3,799	-	241,697
Unearned revenue	345,377	-	-	-	345,377
Due to Sewer Service Fund	160,270	-	-	-	160,270
Bonds payable	676,799	499,601	-	-	1,176,400
Total current liabilities	<u>\$ 3,930,817</u>	<u>\$ 793,555</u>	<u>\$ 76,032</u>	<u>\$ -</u>	<u>\$ 4,800,404</u>
Noncurrent liabilities:					
Bonds payable - net of current portion	\$ 8,416,024	\$ 25,956,534	\$ -	\$ -	\$ 34,372,558
OPEB liability	805,242	89,470	29,824	-	924,536
Compensated absences - net of current portion	9,046	-	-	-	9,046
Due to Sewer Service Fund - net of current portion	160,270	-	-	-	160,270
Advance from Capital Projects Fund	-	-	-	2,827,936	2,827,936
Total noncurrent liabilities	<u>\$ 9,390,582</u>	<u>\$ 26,046,004</u>	<u>\$ 29,824</u>	<u>\$ 2,827,936</u>	<u>\$ 38,294,346</u>
Total liabilities	<u>\$ 13,321,399</u>	<u>\$ 26,839,559</u>	<u>\$ 105,856</u>	<u>\$ 2,827,936</u>	<u>\$ 43,094,750</u>
<b>Net position</b>					
Net Investment in capital assets	\$ (3,469,400)	\$ 7,857,491	\$ 24,984	1,160,000	\$ 5,573,075
Unrestricted	3,362,689	20,536,546	2,068,109	-	25,967,344
Total net position	<u>\$ (106,711)</u>	<u>\$ 28,394,037</u>	<u>\$ 2,093,093</u>	<u>\$ 1,160,000</u>	<u>\$ 31,540,419</u>

**City of Hopewell, Virginia**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2013**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total</b>
	<b>Hopewell Regional Wastewater Facilities Fund</b>	<b>Sewer Service Fund</b>	<b>Solid Waste Fund</b>	<b>Non-major Beacon Theater Fund</b>	
<b>OPERATING REVENUES</b>					
Charges for services:					
Wastewater treatment revenues	\$ 10,286,591	\$ -	\$ -	\$ -	\$ 10,286,591
Sewer revenues	-	5,956,075	-	-	5,956,075
Refuse collection	-	-	2,093,741	-	2,093,741
Rental income	-	-	-	21,857	21,857
Total operating revenues	<u>\$ 10,286,591</u>	<u>\$ 5,956,075</u>	<u>\$ 2,093,741</u>	<u>\$ 21,857</u>	<u>\$ 18,358,264</u>
<b>OPERATING EXPENSES</b>					
Personnel services	\$ 2,710,197	\$ 247,031	\$ 63,054	\$ -	\$ 3,020,282
Fringe benefits	1,160,243	99,169	36,849	-	1,296,261
Contractual services	1,839,228	1,567,615	1,526,579	88,352	5,021,774
Administrative services	81,697	497,568	553,466	-	1,132,731
Materials and supplies	288,735	18,581	2,053	-	309,369
Repairs and maintenance	-	357,199	24,176	-	381,375
Utilities	100,484	112,639	22,996	-	236,119
Fuel	1,535,646	-	3,724	-	1,539,370
Insurance	116,636	19,983	-	-	136,619
Chemicals	1,089,592	-	-	-	1,089,592
Miscellaneous	461,912	1,031,619	33,403	-	1,526,934
Depreciation	920,641	286,195	6,246	-	1,213,082
Total operating expenses	<u>\$ 10,305,011</u>	<u>\$ 4,237,599</u>	<u>\$ 2,272,546</u>	<u>\$ 88,352</u>	<u>\$ 16,903,508</u>
Operating income (loss)	<u>\$ (18,420)</u>	<u>\$ 1,718,476</u>	<u>\$ (178,805)</u>	<u>\$ (66,495)</u>	<u>\$ 1,454,756</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment earnings	\$ (102,847)	\$ 405,656	\$ 565	\$ -	\$ 303,374
Miscellaneous	216,311	-	-	-	216,311
Capital contribution	-	-	-	1,160,000	1,160,000
Interest expense	(149,469)	(1,111,018)	-	-	(1,260,487)
Total nonoperating revenues (expenses), net	<u>\$ (36,005)</u>	<u>\$ (705,362)</u>	<u>\$ 565</u>	<u>\$ 1,160,000</u>	<u>\$ 419,198</u>
Income (loss) before transfers	<u>\$ (54,425)</u>	<u>\$ 1,013,114</u>	<u>\$ (178,240)</u>	<u>\$ 1,093,505</u>	<u>\$ 1,873,954</u>
Operating transfer in	-	-	-	\$ 66,495	66,495
Change in net position	<u>\$ (54,425)</u>	<u>\$ 1,013,114</u>	<u>\$ (178,240)</u>	<u>\$ 1,160,000</u>	<u>\$ 1,940,449</u>
Total net position - beginning	<u>(52,286)</u>	<u>27,380,923</u>	<u>2,271,333</u>	<u>-</u>	<u>29,599,970</u>
Total net position - ending	<u>\$ (106,711)</u>	<u>\$ 28,394,037</u>	<u>\$ 2,093,093</u>	<u>\$ 1,160,000</u>	<u>\$ 31,540,419</u>

**City of Hopewell, Virginia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2013**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total</b>
	<b>Hopewell Regional Wastewater Facilities Fund</b>	<b>Sewer Service Fund</b>	<b>Solid Waste Fund</b>	<b>Non-major Beacon Theater Fund</b>	
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 9,891,869	\$ 5,724,467	\$ 1,800,003	\$ 21,857	\$ 17,438,196
Payments to suppliers	(6,055,600)	(4,559,159)	(2,133,768)	(88,352)	(12,836,879)
Payments to employees	(2,894,355)	(392,919)	(91,040)	-	(3,378,314)
<b>Net cash provided by (used in) operating activities</b>	<u>941,914</u>	<u>772,389</u>	<u>(424,805)</u>	<u>(66,495)</u>	<u>1,223,003</u>
<b>Cash flow from noncapital financing activities</b>					
Payments received from other funds	-	-	-	66,495	66,495
<b>Net cash provided by noncapital financing activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,495</u>	<u>66,495</u>
<b>Cash flows from capital and related financing activities</b>					
Purchase of capital assets	(699,696)	(3,497,173)	-	(2,827,936)	(7,024,805)
Proceeds from bonds refunded	2,790,000	-	-	-	2,790,000
Principal payments on bonds and refunding	(3,347,177)	-	-	-	(3,347,177)
Premium amortization	-	(169,906)	-	-	(169,906)
Interest payments	(149,469)	(1,111,018)	-	-	(1,260,487)
Interfund note	(160,269)	-	-	-	(160,269)
Advance from Capital Projects Fund	-	-	-	2,827,936	2,827,936
Proceeds from miscellaneous financing activities	216,311	-	-	-	216,311
<b>Net cash (used in) capital and related financing activities</b>	<u>(1,350,300)</u>	<u>(4,778,097)</u>	<u>-</u>	<u>-</u>	<u>(6,128,397)</u>
<b>Cash flows from investing activities</b>					
Interest and dividends received	(102,849)	407,731	565	-	305,447
<b>Net cash provided by (used in) investing activities</b>	<u>(102,849)</u>	<u>407,731</u>	<u>565</u>	<u>-</u>	<u>305,447</u>
<b>Net decrease in cash and investments</b>	<u>(511,235)</u>	<u>(3,597,977)</u>	<u>(424,240)</u>	<u>-</u>	<u>(4,533,452)</u>
<b>Cash and investments - beginning, including restricted</b>	<u>6,749,232</u>	<u>21,077,505</u>	<u>2,188,901</u>	<u>-</u>	<u>30,015,638</u>
<b>Cash and investments - ending, including restricted</b>	<u>\$ 6,237,997</u>	<u>\$ 17,479,528</u>	<u>\$ 1,764,661</u>	<u>\$ -</u>	<u>\$ 25,482,186</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ (18,420)	\$ 1,718,476	\$ (178,805)	(66,495)	\$ 1,454,756
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	920,641	286,195	6,246	-	1,213,082
(Increase) decrease in accounts receivable	(178,679)	2,782,760	(293,738)	-	2,310,343
Increase in notes receivable	-	(3,014,368)	-	-	(3,014,368)
Increase in inventories	(12,472)	-	-	-	(12,472)
Increase in prepaid items	(302,023)	(496,183)	-	-	(798,206)
Increase (decrease) in accounts payable and accrued liabilities	748,910	(504,491)	41,492	-	285,911
Decrease in deferred revenues	(216,043)	-	-	-	(216,043)
Total adjustments	<u>960,334</u>	<u>(946,087)</u>	<u>(246,000)</u>	<u>-</u>	<u>(231,753)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 941,914</u>	<u>\$ 772,389</u>	<u>\$ (424,805)</u>	<u>\$ (66,495)</u>	<u>\$ 1,223,003</u>
<b>Non-cash capital activities:</b>					
Capital contribution	\$ -	\$ -	\$ -	\$ 1,160,000	\$ 1,160,000

**City of Hopewell, Virginia**  
**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Funds**  
**June 30, 2013**

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	<b>Agency Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 71,950
Total assets	<u>\$ 71,950</u>
<b>Liabilities</b>	
Amounts held for social services clients	\$ 71,950
Total liabilities	<u>\$ 71,950</u>

# CITY OF HOPEWELL, VIRGINIA

## Notes to Financial Statements

June 30, 2013

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

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

The financial statements of the City of Hopewell, Virginia 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 government’s accounting policies are described below. Unless otherwise stated, the accounting policies of the School Board and Comprehensive Services Act Board Component Unit are similar to those of the City.

#### Financial Statement Presentation

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

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

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

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

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

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

## CITY OF HOPEWELL, VIRGINIA

### Notes to Financial Statements

June 30, 2013

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

#### **B. Component Units**

##### **Blended:**

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

## CITY OF HOPEWELL, VIRGINIA

### Notes to Financial Statements

June 30, 2013

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 2013. 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 2013 to these entities. The City also participates with six other localities in the Crater Youth Care Commission and provided funding in the amount of \$260,171 during fiscal year 2013.

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, 2013 are as follows: Hopewell Industrial Development Authority and Hopewell Redevelopment and Housing Authority.

## CITY OF HOPEWELL, VIRGINIA

### Notes to Financial Statements

June 30, 2013

#### **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 deferred revenues. Sales and utility taxes, which are collected by the Commonwealth or public utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the Commonwealth or public utility, which is generally within two months preceding receipt by the City.

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

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

## CITY OF HOPEWELL, VIRGINIA

### Notes to Financial Statements

June 30, 2013

#### 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, and Solid Waste.

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.

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements  
June 30, 2013

State statutes authorize the government 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 \$1,051,000 at June 30, 2013 and is comprised solely of property taxes.

Real and Personal Property Tax Data

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

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

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

**H. Capital Assets**

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2013 was immaterial.

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements

June 30, 2013

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

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

**I. 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.

**J. 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.

**K. Use of Estimates**

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

**L. 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.

## CITY OF HOPEWELL, VIRGINIA

### Notes to Financial Statements

June 30, 2013

- **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 ten percent 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.

#### **M. 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.

#### **N. 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.

#### **O. Prepaid Items**

Prepaid expenditures in governmental funds are offset by nonspendable fund balance.

#### **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, 2013 in accordance with the terms of the bond. These assets, in the amount of \$1,311,035, are to be used to fund future City public improvements.

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements  
June 30, 2013

**R. Change in Accounting Principle**

Effective July 1, 2012, the City adopted the provisions of GASB Statement 61, *The Financial Reporting Entity – Omnibus*, which brought the Beacon Theater 2012 LLC into the City’s Reporting Entity.

Effective July 1, 2012, the City adopted the provisions of GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Statement No. 63). This implementation required the City to present a Statement of Net Position, replacing previously presented Statement of Net Assets, in the City’s financial statements. In practice, Statement No. 63 only impacts activities related to derivative instruments or service concession arrangements. In the case of the City, the implementation of this standard was isolated to the replacement of the term “net assets” with “net position” in the financial statements.

**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, 2013 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 thirty-five percent 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**

	Total	Fair Quality Ratings				
		AAA	AAAm	AA	AA+	AA-
LGIP	\$ 18,903,875	\$ -	\$ 18,903,875	\$ -	\$ -	\$ -
SNAP	1,310,985	-	1,310,985	-	-	-
Municipal/Public Bonds	3,011,908	582,441	-	967,951	1,311,732	149,784
Corporate Bonds	2,130,722	321,984	20,470	414,590	717,878	655,800
Total	\$ 25,357,490	\$ 904,425	\$ 20,235,330	\$ 1,382,541	\$ 2,029,610	\$ 805,584

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements  
June 30, 2013

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less than 1</u>	
		<u>Year</u>	<u>1-5 Years</u>
Municipal/Public Bonds	\$ 3,011,908	\$2,072,601	\$ 939,307
Corporate Debt	2,130,722	656,061	1,474,661
<b>Total</b>	<b>\$ 5,142,630</b>	<b>\$2,728,662</b>	<b>\$ 2,413,968</b>

**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.

**Note 3—Due from Other Governments**

At June 30, 2013, the City had receivables from other governments as follows:

	Primary Government	Component Unit	
		School Board	CSA Board
<b><i>Commonwealth of Virginia:</i></b>			
Local sales tax	333,444	-	-
Communications tax	136,455	-	-
E-911 wireless funds	8,865	-	-
Emergency Center Operations	250,000	-	-
VPA funds	98,775	-	-
Victim Witness	30,897	-	-
State sales tax	-	584,418	-
Constitutional officer reimbursements	103,605	-	-
Comprehensive service	-	-	366,206
<b><i>Federal Government:</i></b>			
School fund grants	-	889,908	-
School food	-	313,538	-
VPA Funds	146,085	-	-
Public Service Grant	74,370	-	-
Other grants	10,079	-	-
<b>Total due from other governments</b>	<b>\$ 1,192,575</b>	<b>\$ 1,787,864</b>	<b>\$ 366,206</b>
Amount due from CSA	\$ 230,231		
Amount due to City			\$ 230,231

**Note 4—Interfund Obligations**

At June 30, 2013, the Virginia Public Assistance Special Revenue Fund owed the General Fund \$9,661.

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements

June 30, 2013

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, 2013, the Beacon Theater Fund owed the Capital Projects Fund \$2,827,936 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, 2013:

	Balance July 1, 2012, as restated	Increase	Decrease	Balance June 30, 2013
Government activities:				
Capital assets not subject to depreciation:				
Land	\$ 6,622,991	\$ -	\$ -	\$ 6,622,991
Total capital assets not subject to depreciation	<u>\$ 6,622,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,622,991</u>
Capital assets subject to depreciation:				
Buildings, system improvements and infrastructure	\$ 40,442,202	\$ 4,476,771	\$ 1,401,325	\$ 43,517,648
Machinery and equipment	8,523,630	947,557	415,393	9,055,794
Buildings jointly owned with School Board	31,657,146	-	961,106	30,696,040
Total capital assets being depreciated	<u>\$ 80,622,978</u>	<u>\$ 5,424,328</u>	<u>\$ 2,777,824</u>	<u>\$ 83,269,482</u>
Less accumulated depreciation for:				
Buildings, system improvements and infrastructure	\$ (13,183,080)	\$ (1,278,412)	\$ 40,000	\$ (14,421,492)
Machinery and equipment	(6,268,952)	(515,641)	415,393	(6,369,200)
Buildings jointly owned with School Board	(6,416,862)	(416,667)	-	(6,833,529)
Total accumulated depreciation	<u>\$ (25,868,894)</u>	<u>\$ (2,210,720)</u>	<u>\$ 455,393</u>	<u>\$ (27,624,221)</u>
Total capital assets being depreciated, net	<u>\$ 54,754,084</u>	<u>\$ 3,213,608</u>	<u>\$ 2,322,431</u>	<u>\$ 55,645,261</u>
Government capital assets, net	<u>\$ 61,377,075</u>	<u>\$ 3,213,608</u>	<u>\$ 2,322,431</u>	<u>\$ 62,268,252</u>

See Note 17 for further discussion regarding the restatement.

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements  
June 30, 2013

<b>Component Unit - School Board</b>	Balance			Balance
	<u>July 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2013</u>
Government activities:				
Capital assets not subject to depreciation:				
Land	\$ 398,728	\$ -	\$ -	\$ 398,728
Work in progress	496,604	-	496,604	-
Total capital assets not subject to depreciation	<u>\$ 895,332</u>	<u>\$ -</u>	<u>\$ 496,604</u>	<u>\$ 398,728</u>
Capital assets subject to depreciation:				
Machinery and Equipment	\$ 5,342,727	\$ 889,306	\$ 218,500	\$ 6,013,533
Buildings and system	60,181,500	2,430,937	-	62,612,437
Building jointly owned with City	(31,657,146)	-	(961,106)	(30,696,040)
Total capital assets being depreciated, net	<u>\$ 33,867,081</u>	<u>\$ 3,320,243</u>	<u>\$ (742,606)</u>	<u>\$ 37,929,930</u>
Less accumulated depreciation:				
Machinery and Equipment	\$ (3,310,171)	\$ (347,130)	\$ 213,500	\$ (3,443,801)
Buildings and system	(13,335,048)	(845,673)	-	(14,180,721)
Building jointly owned with City	6,416,862	416,667	-	6,833,529
Total accumulated depreciation	<u>\$ (10,228,357)</u>	<u>\$ (776,136)</u>	<u>\$ 213,500</u>	<u>\$ (10,790,993)</u>
Total capital assets being depreciated, net	<u>\$ 23,638,724</u>	<u>\$ 2,544,107</u>	<u>\$ (956,106)</u>	<u>\$ 27,138,937</u>
School Board capital assets, net	<u>\$ 24,534,056</u>	<u>\$ 2,544,107</u>	<u>\$ (459,502)</u>	<u>\$ 27,537,665</u>

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

Governmental Activities	
General government administration	\$ 247,563
Judicial administration	250,900
Public safety	397,828
Public works	445,082
Health and welfare	104,865
Education	416,667
Parks, recreation, and cultural	347,815
Total governmental activities	<u>\$ 2,210,720</u>

Component unit: School Board \$ 776,136

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 new 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, 2013, is that School-financed assets in the amount of \$23,862,511 are reported in the Primary Government for financial reporting purposes.

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements

June 30, 2013

A summary of changes in proprietary fund capital assets for the year ended June 30, 2013 follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2103</u>
<b>Sewer Service Fund:</b>				
Capital assets not subject to depreciation:				
Land	\$ 97,920	\$ -	\$ -	\$ 97,920
Work in progress	21,239,233	-	18,510,313	2,728,920
Total capital assets not subject to depreciation	<u>\$ 21,337,153</u>	<u>\$ -</u>	<u>\$ 18,510,313</u>	<u>\$ 2,826,840</u>
Capital assets subject to depreciation:				
Utility plant in service	\$ 501,878	\$ -	\$ -	\$ 501,878
Machinery and equipment	918,208	-	18,900	899,308
Sewer main improvements	10,925,486	22,007,487	-	32,932,973
Total capital assets being depreciated	<u>\$ 12,345,572</u>	<u>\$ 22,007,487</u>	<u>\$ 18,900</u>	<u>\$ 34,334,159</u>
Less accumulated depreciation for:				
Utility plant in service	\$ (486,427)	\$ (2,575)	\$ -	\$ (489,002)
Machinery and equipment	(739,455)	(53,917)	18,900	(774,472)
Sewer main improvements	(3,698,988)	(229,703)	-	(3,928,691)
Total accumulated depreciation	<u>\$ (4,924,870)</u>	<u>\$ (286,195)</u>	<u>\$ 18,900</u>	<u>\$ (5,192,165)</u>
Total capital assets being depreciated, net	<u>\$ 7,420,702</u>	<u>\$ 21,721,292</u>	<u>\$ 37,800</u>	<u>\$ 29,141,994</u>
Sewer Service Fund, net	<u><u>\$ 28,757,855</u></u>	<u><u>\$ 21,721,292</u></u>	<u><u>\$ 18,548,113</u></u>	<u><u>\$ 31,968,834</u></u>
<b>Solid Waste Fund:</b>				
Machinery and equipment	\$ 31,230	\$ -	\$ -	\$ 31,230
Less accumulated depreciation for:				
Machinery and equipment	\$ -	\$ (6,246)	\$ -	\$ (6,246)
Solid Waste Fund, net	<u><u>\$ 31,230</u></u>	<u><u>\$ (6,246)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,984</u></u>

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements  
June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>HRWTF Fund</b>				
Capital assets not subject to depreciation:				
Land	\$ 216,026	\$ -	\$ -	\$ 216,026
Work in progress	204,481	699,697	-	904,178
Total capital assets not subject to depreciation	<u>\$ 420,507</u>	<u>\$ 699,697</u>	<u>\$ -</u>	<u>\$ 1,120,204</u>
Capital assets subject to depreciation:				
Utility plant in service	\$ 10,220,916	\$ -	\$ -	\$ 10,220,916
Machinery and equipment	53,341,061	-	45,698	53,295,363
Total cap assets being depreciated	<u>\$ 63,561,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,516,279</u>
Less accumulated depreciation for:				
Utility plant in service	\$ (8,408,664)	\$ (204,722)	\$ -	\$ (8,613,386)
Machinery and equipment	(50,089,294)	(715,919)	45,698	(50,759,515)
Total accumulated depreciation	<u>\$ (58,497,958)</u>	<u>\$ (920,641)</u>	<u>\$ -</u>	<u>\$ (59,372,901)</u>
Total capital assets being depreciated, net	<u>\$ 5,064,019</u>	<u>\$ (920,641)</u>	<u>\$ -</u>	<u>\$ 4,143,378</u>
HRWTF capital assets, net	<u><u>\$ 5,484,526</u></u>	<u><u>\$ (220,944)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,263,582</u></u>
<b>Beacon Theater Fund</b>				
Capital assets not subject to depreciation:				
Land	\$ -	\$ 128,100	\$ -	\$ 128,100
Work in progress	-	2,827,936	-	2,827,936
Total capital assets not subject to depreciation	<u>\$ -</u>	<u>\$ 2,956,036</u>	<u>\$ -</u>	<u>\$ 2,956,036</u>
Capital assets subject to depreciation:				
Buildings	\$ -	\$ 1,031,900	\$ -	\$ 1,031,900
Total cap assets being depreciated	<u>\$ -</u>	<u>\$ 1,031,900</u>	<u>\$ -</u>	<u>\$ 1,031,900</u>
Beacon Theater capital assets	<u><u>\$ -</u></u>	<u><u>\$ 3,987,936</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,987,936</u></u>

**Note 6—Inter-fund Transfers**

Inter-fund transfers for the year ended June 30, 2013 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Primary Government:</b>		
General	\$ -	\$ 4,751,567
Capital Projects	2,689,613	-
Virginia Public Assistance	707,636	-
Non-major - Recreation	1,291,304	3,481
Beacon Theater	66,495	-
<b>Total</b>	<u><u>\$ 4,755,048</u></u>	<u><u>\$ 4,755,048</u></u>

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements  
June 30, 2013

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

**Note 7—Long-Term Obligations**

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

<b>Primary Government:</b>	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>	<b>Due within One Year</b>
Governmental obligations:					
Incurring by City					
General obligation bonds	\$ 27,442,000	\$ -	\$ 1,133,000	\$ 26,309,000	\$ 1,080,500
Issuance premium	266,938	-	18,428	248,510	-
Claims and compensated absences	924,741	1,150,204	1,017,531	1,057,414	827,279
Landfill closure liability	398,231	177,576	-	575,807	57,581
OPEB liability	3,890,567	859,634	351,190	4,399,011	-
Total incurred by City	<u>\$ 32,922,477</u>	<u>\$ 2,187,414</u>	<u>\$ 2,520,149</u>	<u>\$ 32,589,742</u>	<u>\$ 1,965,360</u>
Incurring by School Board:					
State Literary Loans payable	\$ 3,970,200	\$ -	\$ 474,200	\$ 3,496,000	\$ 474,200
General obligation bonds payable	26,190,084	-	903,573	25,286,511	975,734
Total incurred by School Board	<u>\$ 30,160,284</u>	<u>-</u>	<u>1,377,773</u>	<u>\$ 28,782,511</u>	<u>\$ 1,449,934</u>
Total governmental obligations	<u>\$ 63,082,761</u>	<u>\$ 2,187,414</u>	<u>\$ 3,897,922</u>	<u>\$ 61,372,253</u>	<u>\$ 3,415,294</u>
Enterprise obligations:					
Revenue bonds payable	\$ 35,405,000	\$ 2,790,000	\$ 3,365,000	\$ 34,830,000	\$ 1,150,000
Issuance premium	725,736	19,622	26,400	718,958	26,400
Claims and compensated absences	214,079	328,282	291,618	250,743	241,697
OPEB liability	778,112	220,234	73,810	924,536	-
Advance from Capital Projects Fund	-	2,827,936	-	2,827,936	-
Total enterprise obligations	<u>\$ 37,122,927</u>	<u>\$ 6,186,074</u>	<u>\$ 3,756,828</u>	<u>\$ 39,552,173</u>	<u>\$ 1,418,097</u>

In August, 2012, the City sold \$2,790,000 of Wastewater Revenue Bond Series 2012 to provide for the refunding of existing Wastewater Revenue Bond Anticipation Note, Series 2000 (\$2,910,000). The interest rate on the 2012 bond issue will vary between 2.125% and 2.375% with a final maturity of October 1, 2021. The principal payments range from \$100,000 to \$320,000. The City decreased its aggregate debt payments by approximately \$120,000 over the next 10 years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$443,844.

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements

June 30, 2013

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

<b>Year Ending June 30</b>	<b>City Obligations</b>			
	<b>General Obligation Bonds Payable</b>			
	<b>Principal</b>	<b>Interest</b>		
2014	\$1,080,500	\$1,396,454		
2015	1,130,500	1,353,079		
2016	1,178,000	1,307,470		
2017	897,500	1,248,773		
2018	1,315,000	1,190,257		
2019 - 2023	5,862,500	4,995,553		
2024 - 2028	5,320,000	3,606,515		
2029 - 2033	6,672,500	1,829,635		
2034 - 2035	2,852,500	167,108		
<b>Total</b>	<b>\$26,309,000</b>	<b>\$17,094,844</b>		

<b>Year Ending June 30</b>	<b>School Obligations</b>			
	<b>State Literary Fund Loans</b>		<b>General Obligation Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2014	\$ 474,200	\$ 69,920	\$ 975,734	\$ 1,064,079
2015	474,200	60,436	993,109	1,044,616
2016	474,200	50,952	1,373,488	1,024,253
2017	474,200	41,468	1,622,610	1,003,112
2018	474,200	31,984	1,633,832	981,368
2019 - 2023	1,125,000	45,000	8,430,418	4,567,614
2024 - 2028	-	-	6,538,674	3,454,683
2029 - 2033	-	-	2,597,500	492,450
2034 - 2036	-	-	1,121,156	80,871
<b>Total</b>	<b>\$ 3,496,000</b>	<b>\$ 299,760</b>	<b>\$25,286,511</b>	<b>\$ 13,713,046</b>

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements

June 30, 2013

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

<b>Year Ending June 30</b>	<b>Enterprise Obligations</b>	
	<b>Revenue Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2014	\$1,150,000	\$1,496,302
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 - 2023	6,600,000	6,123,534
2024 - 2028	5,280,000	4,828,552
2029 - 2033	4,395,000	3,733,469
2034 - 2038	5,640,000	2,483,206
2039 - 2042	6,965,000	882,086
<b>Total</b>	<b>\$34,830,000</b>	<b>\$25,208,253</b>

Details of long-term indebtedness are as follows:

**General Obligations Incurred by City:**

**General Obligation Bonds:**

\$13,730,000 general obligation public improvement bonds series 2008A, payable in various annual installments through July 15, 2034, interest payable semi-annually at 4.63%.	\$ 12,725,000
\$4,480,000 general obligation public improvement bonds series 2008B, payable in various annual installments through July 15, 2034, interest payable semi-annually at 5.25%.	4,220,000
\$652,000 general obligation public improvement bond, series 2002B, payable in various annual installments through May 1, 2017, interest payable semi-annually at 4.16%-5.87%.	404,000
\$10,000,000 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 5.86%. Face amount of bonds outstanding, \$10,000,000, is split between City and Schools evenly.	4,920,000
\$2,155,000 general obligation payable Series 2009B, payable in various semi-annual installments through July 15, 2034, interest payable semi-annually at various coupon rates from 4.00% to 5.00%. Face amount of bonds outstanding \$2,155,000.	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%. Face amount of bonds outstanding \$2,380,000.	1,885,000
<b>Total General Obligation Bonds</b>	<b>\$ 26,309,000</b>

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements  
June 30, 2013

**General Obligations Incurred by City:**

Bond premiums	248,510
Landfill closure liability (payable from the General Fund)	575,807
Compensated absences (payable from the General Fund)	1,057,414
OPEB liability (payable from the General Fund)	<u>4,399,011</u>
Total incurred by City	<u><u>\$ 32,589,742</u></u>

**Enterprise Obligations:**

**Revenue Bond Obligations:**

\$8,640,000 revenue bond issued December 1, 2005, payable in various annual installments through October 1, 2025, interest payable semi-annually at varying rates 3.64% - 4.85%.	\$ 6,385,000
\$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 2.13% - 2.38%.	2,690,000
\$4,160,000 revenue bond issued December 2, 2010, payable in various annual installments through July 15, 2025, interest payable semi-annually at 2.87% - 3.38%.	4,160,000
\$18,210,000 Sewer System bond issued December 7, 2011, payable in various annual installments through July 15, 2042, interest payable semi-annually at 2.0% - 5.0%.	18,210,000
\$3,385,000 Sewer System bond issued December 7, 2011, payable in various annual installments through July 15, 2022, interest payable semi-annually at 1.25% - 3.75%.	<u>3,385,000</u>
Total revenue bond obligations	<u>\$ 34,830,000</u>
Bond premiums	718,958
Compensated absences (payable from the Enterprise Funds)	250,743
OPEB liability (payable from the Enterprise Funds)	924,536
Advance from Capital Projects Fund	<u>2,827,936</u>
Total enterprise obligations	<u><u>\$ 39,552,173</u></u>

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements

June 30, 2013

Incurring by 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 at 2.00%.	\$ 52,250
\$939,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of \$46,950 through 2017, interest payable annually at 2.00% .	234,750
\$239,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of \$11,950 through 2017, interest payable annually at 2.00%.	59,750
\$597,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of \$29,850 through 2017, interest payable annually at 2.00%	149,250
\$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 2.00%.	<u>3,000,000</u>
Total State Literary Fund Loans	<u><u>\$ 3,496,000</u></u>

**Virginia Public School Authority Subsidy and Other Bonds:**

\$4,862,705 Virginia Public School Authority Subsidy Bonds issued in 2001, due in annual installments of varying amounts through 2021, interest payable annually at varying rates 3.10% - 5.35%.	\$ 2,463,841
\$858,896 Virginia Public School Authority Subsidy Bonds issued in 2005, due in annual installments of varying amounts through 2025, interest payable annually at varying rates 4.60% - 5.10%.	604,015
\$2,800,000 General Obligation Qualified Zone Academy Bond issued in 2009, due in annual installments of varying amounts through 2024, interest payable annually at 1.83%.	2,218,655
\$7,635,000 Virginia Public School Authority Subsidy Bonds issued 2010, due in annual installments of varying amounts through June 1, 2027, interest payable semi-annually at 0.092%.	7,380,000
\$10,000,000 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 5.86%. Face amount of bonds outstanding, \$10,000,000, is split between City and Schools evenly.	4,920,000
\$5,000,000 Virginia Public School Authority Subsidy Bonds issued 2012, due in annual installments of varying amounts through June 1, 2027, interest payable semi-annually at 4.50%.	5,000,000
\$2,700,000 General Obligation issued in 2012, due in annual installments of varying amounts through June 20, 2036; interest payable semi-annually at 2.00% - 5.00%.	<u>2,700,000</u>
Total Virginia Public School Authority and Other Bonds	<u><u>\$ 25,286,511</u></u>
Total incurred on behalf of School Board	<u><u>\$ 28,782,511</u></u>

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements

June 30, 2013

School Board Component Unit

The following is a summary of long-term debt transactions of the School Board for the year ended June 30, 2013:

<u>School Board Component Unit</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Claims and compensated absences	\$ 751,282	\$ 33,540	\$ 86,922	\$ 697,900	\$ 232,633
Note payable to City	1,912,428	-	100,760	1,811,668	100,545
OPEB liability	769,556	330,178	140,700	959,034	-
Total School Board	<u>\$ 3,433,266</u>	<u>\$ 363,718</u>	<u>\$ 328,382</u>	<u>\$ 3,468,602</u>	<u>\$ 333,178</u>

**Note 8—Reporting Entity Transactions**

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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, 2013, \$320,540 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 agreed to a 15-year payment plan, with the first payment due on June 30, 2013. The effective interest rate on the loan is 8.7%. At June 30, 2013, \$1,811,668 of the loan was still outstanding.

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

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In October 1993, the City discontinued accepting solid waste at its landfill. In conjunction with the closing of the landfill, an environmental engineering firm was engaged to devise a closure plan in accordance with federal and state regulations. During fiscal year 2002, the City received a closing permit; however the time period for maintaining the site has been extended through 2022. Total estimated costs of maintaining the site for this period is \$575,807. The total current cost of landfill post closure care is an estimate subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

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

## CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements  
June 30, 2013

### **Note 10—Unearned Revenues**

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Unearned revenues represent amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Unearned revenues reported in governmental funds (\$1,629,976), proprietary funds (\$345,377), and for the School Board (\$50,405) were comprised of the following:

General Fund Unearned Property Tax Revenue: Unearned revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,078,319 at June 30, 2013.

General Fund Prepaid Property Taxes and other Revenue: Property taxes due subsequent to June 30, 2013 but paid in advance by the taxpayers totaled \$530,497 at June 30, 2013.

General Fund Unearned Other Tax Revenue: Unearned revenue representing uncollected other tax billings not available for funding of current expenditures totaled \$21,160 at June 30, 2013.

School Board Unearned Revenue: Unearned revenue representing primarily unearned state and federal grants totaled \$50,405 at June 30, 2013 and is reported in the component unit.

Proprietary Fund Other Unearned Revenue: Unearned revenue totaling \$345,377 represents debt service payments received from participating localities in the HRWTF for service charges not yet earned.

### **Note 11—Commitments and Contingencies**

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Federal programs in which the City and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs 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 August 2012.

## CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements  
June 30, 2013

### Note 12—Litigation

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In March 2013, the City of Hopewell received a payment in the sum of \$1,926,591 on behalf of the owners of the Appomattox Bio Energy ethanol facility in Hopewell. The figure was payment in full of all taxes, including penalties, interest, attorneys' fees, and other costs, that had been assessed by the City on real estate, machinery, tools, and other property owned by Appomattox Bio Energy, LLC. In exchange for the payment, the City agreed to dismiss its lawsuit against Appomattox and Osage Bio Energy, LLC.

At June 30, 2013, there were no other 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

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#### 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

## CITY OF HOPEWELL, VIRGINIA

### Notes to Financial Statements

June 30, 2013

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 2013 were 10.35% and 9.03% of annual covered payroll, respectively.

The School Board contributed \$2,572,277, \$1,365,752, and \$861,523 to the teacher cost-sharing pool for the fiscal years ended June 30, 2013, 2012, and 2011, respectively, and these contributions represented 11.66%, 6.33%, and 3.94%, respectively, of current covered payroll.

### **C. Annual Pension Cost**

For fiscal year 2013, the City's annual pension cost of \$1,628,910 was equal to the City's required and actual contributions.

For fiscal year 2013, the City School Board's annual pension cost for the Board's non-professional employees was \$151,758, which was equal to the Board's required and actual contributions.

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements  
June 30, 2013

Three-Year Trend Information

City and School Board Non-Professional Employees

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
City			
June 30, 2013	\$1,628,910	100%	\$ -
June 30, 2012	1,514,687	100%	-
June 30, 2011	1,521,286	100%	-
Component Unit: School Board			
June 30, 2013	\$ 151,758	100%	\$ -
June 30, 2012	142,548	100%	-
June 30, 2011	148,674	100%	-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2012 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, 2013 was 20 years.

**D. Funded Status and Funding Progress**

As of June 30, 2012, the most recent actuarial valuation date, the City plan was 73.63% funded. The actuarial accrued liability for benefits was \$96,525,635, and the actuarial value of assets was \$71,072,887 resulting in an unfunded actuarial accrued liability ("UAAL") of \$25,452,748. The covered payroll (annual payroll of active employees covered by the plan) was \$14,492,438, and the ratio of the UAAL to the covered payroll was 175.63%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board Non-Professional plan was 73.88% funded. The actuarial accrued liability for benefits was \$7,698,754, and the actuarial value of assets was \$5,687,729, resulting in an unfunded actuarial accrued liability of \$2,011,025. The covered payroll (annual payroll of active employees covered by the plan) was \$1,609,656, and the ratio of the UAAL to the covered payroll was 124.94%.

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

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements

June 30, 2013

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**

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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
Gregory L. Anderson, Sheriff	30,000
The above constitutional officers and subordinate employees - blanket bond	50,000

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

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

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Plan Description

The City and the School Board each maintain a 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 OF HOPEWELL, VIRGINIA**

Notes to Financial Statements

June 30, 2013

<u>Group</u>	<u>City Contribution</u>		<u>Notes</u>										
	<u>Retiree Only</u>	<u>Retiree and Spouse</u>											
A	\$514	\$913	Frozen contribution rate; will not change in future years										
B	\$532	N/A	2013 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 table below.										
			<table border="0"> <thead> <tr> <th><u>Years of Service</u></th> <th><u>Percentage of Premium</u></th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>0%</td> </tr> <tr> <td>11</td> <td>40%</td> </tr> <tr> <td>16-20</td> <td>60%</td> </tr> <tr> <td>21</td> <td>80%</td> </tr> </tbody> </table>	<u>Years of Service</u>	<u>Percentage of Premium</u>	0-10	0%	11	40%	16-20	60%	21	80%
<u>Years of Service</u>	<u>Percentage of Premium</u>												
0-10	0%												
11	40%												
16-20	60%												
21	80%												
D	Varies	N/A	Percentage of City contribution for a single active employee based on years of services See table below:										
			<table border="0"> <thead> <tr> <th><u>Years of Service</u></th> <th><u>Percentage of Premium</u></th> </tr> </thead> <tbody> <tr> <td>0-5</td> <td>\$ 50 per month</td> </tr> <tr> <td>6-10</td> <td>\$100 per month</td> </tr> <tr> <td>11-20</td> <td>\$150 per month</td> </tr> <tr> <td>21</td> <td>\$200 per month</td> </tr> </tbody> </table>	<u>Years of Service</u>	<u>Percentage of Premium</u>	0-5	\$ 50 per month	6-10	\$100 per month	11-20	\$150 per month	21	\$200 per month
<u>Years of Service</u>	<u>Percentage of Premium</u>												
0-5	\$ 50 per month												
6-10	\$100 per month												
11-20	\$150 per month												
21	\$200 per month												

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

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

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

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 OptimaHealth: the HMO HSA plan, the PPO HSA plan, the co-pay plan, and the post-65 PPO plan. The Schools currently have 56 retirees

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements

June 30, 2013

without spouse coverage, 27 retirees with spouse coverage and 1 retiree with child coverage on their plan. The City has 70 retirees without spouse coverage and 36 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	\$ 1,089,100	\$ 331,700
Interest on net OPEB obligation	163,400	26,934
Adjustment to annual required contribution	(172,634)	(28,456)
Annual OPEB cost	1,079,866	330,178
Estimated contributions made	(425,000)	(140,700)
Increase in net OPEB obligation	654,866	189,478
Net OPEB obligation-beginning of year	4,668,681	769,556
Net OPEB obligation-end of year	\$ 5,323,547	\$ 959,034

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
City:			
June 30, 2013	\$1,079,866	39.36%	\$ 5,323,547
June 30, 2012	1,168,828	44.66%	4,668,681
June 30, 2011	1,119,635	45.79%	4,021,856
School Board:			
June 30, 2013	\$ 330,178	42.61%	\$ 959,034
June 30, 2012	450,627	38.67%	769,556
June 30, 2011	431,325	43.45%	493,164

Funded Status and Funding Progress

## CITY OF HOPEWELL, VIRGINIA

### Notes to Financial Statements

June 30, 2013

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.

## CITY OF HOPEWELL, VIRGINIA

### Notes to Financial Statements

June 30, 2013

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, 2013 of thirty years

**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements

June 30, 2013

**Note 16—Subsequent Events**

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In July of 2013, the City sold \$2,265,000 of General Obligation Tax-exempt Refunding Bonds 2013A to refund certain maturities of existing City's General Obligation Public Improvement Refunding Bonds, Series 2008A, in the amount of \$1,365,000, and Series 2009A, in the amount of \$540,000. The interest rate on the 2013A bond issue is 2.10%, and the final maturity will occur on July 15, 2028. The principal payments range from \$180,000 to \$380,000. Additionally, in July, 2013, the City sold \$895,000 of General Obligation Taxable Refunding Bonds 2013B to refund certain maturities of existing City's General Obligation Public Improvement Refunding Bonds, Series 2008B, in the amount of \$710,000. The interest rate on the 2013B bond issue is 3.63% and the final maturity will occur on July 15, 2028. The principal payments range from \$90,000 to \$180,000. A portion of the net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased and the related liability for the bonds has been removed from the City's books. The refunding was done in order to more closely match the term of the debt with the life of the asset financed and the overall transactions resulted in a present value savings from cash flow of approximately \$200,000.

In October of 2013, the City borrowed \$7,700,000 of tax-exempt qualified debt to provide funding to construct a public safety building with an interest rate of 2.5%. The principal payment will be \$20,000 per year for the first four years, with remaining payments ranging from \$300,000 to \$455,000.

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**CITY OF HOPEWELL, VIRGINIA**

Notes to Financial Statements

June 30, 2013

**Note 17—Restatement of Beginning Net Position**

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Upon review of the City's asset management system records, the City noted that several infrastructure assets related to street improvements and contributed assets from real estate developers had not been accurately recorded within the financial statements. The result of that review is a restatement of governmental activities' net position as of July 1, 2012, as follows:

	Balance, July 1, 2012, as previously reported	Adjustment	Balance, July 1, 2012, as restated
Governmental Activities -			
Buildings and system improvements	\$ 36,518,985	\$ 3,923,217	\$ 40,442,202
Less: accumulated depreciation	<u>\$ (12,163,262)</u>	<u>\$ (1,019,818)</u>	<u>\$ (13,183,080)</u>
Net Adjustment	<u>\$ 24,355,723</u>	<u>\$ 2,903,399</u>	<u>\$ 27,259,122</u>
Governmental Activities - Net Position	<u>\$ 23,454,292</u>	<u>\$ 2,903,399</u>	<u>\$ 26,357,691</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Hopewell, Virginia**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 26,536,568	\$ 26,536,568	\$ 26,459,832	\$ (76,736)
Other local taxes	5,972,100	5,972,100	6,086,273	114,173
Permits, privilege fees, and regulatory licenses	18,500	18,500	42,889	24,389
Fines and forfeitures	1,577,692	1,577,692	1,544,560	(33,132)
Revenue from the use of money and property	102,339	102,339	72,725	(29,614)
Charges for services	480,200	500,200	576,570	76,370
Miscellaneous	2,216,420	2,988,351	1,356,401	(1,631,950)
Recovered costs	884,500	884,500	884,500	-
Intergovernmental revenues:				
Commonwealth	6,297,856	6,308,351	7,994,789	1,686,438
Federal	324,130	541,566	852,345	310,779
Total revenues	<u>\$ 44,410,305</u>	<u>\$ 45,430,167</u>	<u>\$ 45,870,884</u>	<u>\$ 440,717</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 3,057,605	\$ 3,184,069	\$ 3,038,151	\$ 145,918
Judicial administration	1,922,282	2,008,363	1,916,116	92,247
Public safety	11,229,694	11,663,226	10,966,050	697,176
Public works	3,715,102	3,705,452	3,500,238	205,214
Health and welfare	1,147,997	1,719,785	1,581,707	138,078
Education	9,231,363	9,231,363	9,231,363	-
Parks, recreation, and cultural	563,274	563,274	564,274	(1,000)
Community development	617,613	597,120	546,388	50,732
Nondepartmental	5,682,232	5,500,109	5,153,440	346,669
Debt service:				
Principal retirement	1,457,773	1,457,773	1,457,773	-
Interest and other fiscal charges	1,114,561	1,114,561	1,114,561	-
Total expenditures	<u>\$ 39,739,496</u>	<u>\$ 40,745,095</u>	<u>\$ 39,070,061</u>	<u>\$ 1,675,034</u>
Excess of revenues over expenditures	\$ 4,670,809	\$ 4,685,072	\$ 6,800,823	\$ 2,115,751
<b>OTHER FINANCING USES</b>				
Operating transfers out	\$ (4,685,072)	\$ (4,685,072)	\$ (4,751,567)	\$ (66,495)
Total other financing uses	<u>\$ (4,685,072)</u>	<u>\$ (4,685,072)</u>	<u>\$ (4,751,567)</u>	<u>\$ (66,495)</u>
Net change in fund balances	\$ (14,263)	\$ -	2,049,256	\$ 2,049,256
Fund balances - beginning	11,753,572	11,753,572	11,753,572	-
Fund balances - ending	<u>\$ 11,739,309</u>	<u>\$ 11,753,572</u>	<u>\$ 13,802,828</u>	<u>\$ 2,049,256</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Virginia Public Assistance Fund**  
**For the Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues:				
Commonwealth	\$ 1,204,892	\$ 1,204,892	\$ 1,133,884	\$ (71,008)
Federal	2,446,507	2,446,507	1,859,318	(587,189)
Revenue from the use of money and property	-	-	3	3
Total revenues	<u>\$ 3,651,399</u>	<u>\$ 3,651,399</u>	<u>\$ 2,993,205</u>	<u>\$ (658,194)</u>
<b>EXPENDITURES</b>				
Current -				
Health and welfare	\$ 4,359,035	\$ 4,359,035	\$ 3,572,838	\$ 786,197
Total expenditures	<u>\$ 4,359,035</u>	<u>\$ 4,359,035</u>	<u>\$ 3,572,838</u>	<u>\$ 786,197</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (707,636)	\$ (707,636)	\$ (579,633)	\$ 128,003
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	\$ 707,636	\$ 707,636	\$ 707,636	\$ -
Total other financing sources	<u>\$ 707,636</u>	<u>\$ 707,636</u>	<u>\$ 707,636</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ 128,003	\$ 128,003
Fund balances - beginning	-	-	87,868	87,868
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,871</u>	<u>\$ 215,871</u>

**City of Hopewell, Virginia**  
**Schedule of Pension Funding Progress**  
**For the Year Ended June 30, 2013**

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)
<b>Primary Government:</b>						
City Retirement Plan:						
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%
6/30/2010	71,787,987	89,338,086	17,550,099	80.36%	15,018,566	116.86%
<b>Discretely Presented Component Unit:</b>						
School Board Non-Professionals Retirement Plan:						
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%
6/30/2010	6,046,574	7,629,194	1,582,620	79.26%	1,761,512	89.84%

**City of Hopewell, Virginia**  
**Schedule of Funding Progress for Retiree Health Insurance Plan**  
**For the Year Ended June 30, 2013**

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)
<b>Primary Government:</b>						
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%
<b>Discretely Presented Component Unit:</b>						
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, 2013

**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.

## **OTHER SUPPLEMENTARY INFORMATION**

## 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, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>REVENUES</b>				
Other local taxes	\$ 2,645,000	\$ 2,645,000	\$ 2,621,664	\$ (23,336)
Intergovernmental revenues:				
Commonwealth	-	-	307,592	307,592
Federal	-	350,000	150,969	(199,031)
Revenue from the use of money and property	25,000	25,000	37,792	12,792
Miscellaneous	722,740	8,338,234	933,499	(7,404,735)
Total revenues	<u>\$ 3,392,740</u>	<u>\$ 11,358,234</u>	<u>\$ 4,051,516</u>	<u>\$ (7,306,718)</u>
<b>EXPENDITURES</b>				
Current -				
Education	\$ -	\$ -	\$ 1,871,553	\$ (1,871,553)
Capital projects	2,194,333	9,593,214	3,070,265	6,522,949
Debt service:				
Principal retirement	1,574,667	1,574,667	1,053,000	521,667
Interest and other fiscal charges	2,309,872	2,076,484	1,849,524	226,960
Total expenditures	<u>\$ 6,078,872</u>	<u>\$ 13,244,365</u>	<u>\$ 7,844,342</u>	<u>\$ 5,400,023</u>
Deficiency of revenues under expenditures	\$ (2,686,132)	\$ (1,886,131)	\$ (3,792,826)	\$ (1,906,694)
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	\$ 2,686,132	\$ 1,886,132	\$ 2,689,613	\$ 803,481
Total other financing sources	<u>\$ 2,686,132</u>	<u>\$ 1,886,132</u>	<u>\$ 2,689,613</u>	<u>\$ 803,481</u>
Net change in fund balances	\$ -	\$ 1	\$ (1,103,213)	\$ (1,103,214)
Fund balances - beginning	160,597	-	14,195,294	14,195,294
Fund balances - ending	<u>\$ 160,597</u>	<u>\$ 1</u>	<u>\$ 13,092,081</u>	<u>\$ 13,092,080</u>

**City of Hopewell, Virginia**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2013**

	<b>Recreation Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Anti-Litter Fund</b>	<b>Total</b>
<b>Assets</b>				
Cash and investments	\$ 358,348	\$ 2,450	\$ 14,653	\$ 375,451
Receivables, net of allowance for uncollectibles	6	-	-	6
Total assets	<u>\$ 358,354</u>	<u>\$ 2,450</u>	<u>\$ 14,653</u>	<u>\$ 375,457</u>
<b>Liabilities and fund balances</b>				
Liabilities:				
Accounts payable	\$ 45,568	\$ 398	\$ 99	\$ 46,065
Accrued liabilities	89,654	102	-	89,756
Total liabilities	<u>\$ 135,222</u>	<u>\$ 500</u>	<u>\$ 99</u>	<u>\$ 135,821</u>
Fund balances:				
Assigned to funds	\$ 223,132	1,950	\$ 14,554	239,636
Total fund balances	<u>\$ 223,132</u>	<u>\$ 1,950</u>	<u>\$ 14,554</u>	<u>\$ 239,636</u>
Total liabilities and fund balances	<u>\$ 358,354</u>	<u>\$ 2,450</u>	<u>\$ 14,653</u>	<u>\$ 375,457</u>

**City of Hopewell, Virginia**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the Year Ended June 30, 2013**

	Recreation Fund	Community Development Block Grant Fund	Anti-Litter Fund	Total
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 165,027	\$ 1	\$ 5	\$ 165,033
Charges for services	85,564	-	-	85,564
Miscellaneous	33,469	-	-	33,469
Intergovernmental revenues:				
Commonwealth	-	-	5,648	5,648
Federal	13,348	174,042	-	187,390
Total revenues	<u>\$ 297,408</u>	<u>\$ 174,043</u>	<u>\$ 5,653</u>	<u>\$ 477,104</u>
<b>EXPENDITURES</b>				
Current:				
Public works	\$ -	\$ -	\$ 3,721	\$ 3,721
Parks, recreation, and cultural	1,550,256	-	-	1,550,256
Community development	-	171,846	-	171,846
Total expenditures	<u>\$ 1,550,256</u>	<u>\$ 171,846</u>	<u>\$ 3,721</u>	<u>\$ 1,725,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,252,848)</u>	<u>\$ 2,197</u>	<u>\$ 1,932</u>	<u>\$ (1,248,719)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	\$ 1,291,304	\$ -	\$ -	\$ 1,291,304
Operating transfers out	(3,481)	-	-	(3,481)
Total other financing sources, net	<u>\$ 1,287,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,287,823</u>
Net change in fund balances	\$ 34,975	\$ 2,197	\$ 1,932	\$ 39,104
Fund balance - beginning	188,157	(247)	12,622	200,532
Fund balance - ending	<u>\$ 223,132</u>	<u>\$ 1,950</u>	<u>\$ 14,554</u>	<u>\$ 239,636</u>

## City of Hopewell, Virginia

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Recreation Fund**  
**For the Year Ended June 30, 2013**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 266,186	\$ 165,027	\$ (101,159)
Charges for services	98,450	85,564	(12,886)
Miscellaneous	101,834	33,469	(68,365)
Intergovernmental revenues -			
Federal	8,000	13,348	5,348
Total revenues	<u>\$ 474,470</u>	<u>\$ 297,408</u>	<u>\$ (177,062)</u>
<b>EXPENDITURES</b>			
Current -			
Parks, recreation, and cultural	<u>\$ 1,765,774</u>	<u>\$ 1,550,256</u>	<u>\$ 215,518</u>
Total expenditures	<u>\$ 1,765,774</u>	<u>\$ 1,550,256</u>	<u>\$ 215,518</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,291,304)</u>	<u>\$ (1,252,848)</u>	<u>\$ 38,456</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	\$ 1,291,304	\$ 1,291,304	\$ -
Operating transfers out	-	(3,481)	(3,481)
Total other financing sources, net	<u>\$ 1,291,304</u>	<u>\$ 1,287,823</u>	<u>\$ (3,481)</u>
Net change in fund balances	\$ -	\$ 34,975	\$ 34,975
Fund balances - beginning	37,738	188,157	150,419
Fund balances - ending	<u>\$ 37,738</u>	<u>\$ 223,132</u>	<u>\$ 185,394</u>

## City of Hopewell, Virginia

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget  
and Actual  
Community Development Block Grant Fund  
For the Year Ended June 30, 2013**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Revenue from the use of money and property	\$ -	\$ 1	\$ 1
Intergovernmental revenues:			
Federal	204,968	174,042	(30,926)
Total revenues	<u>\$ 204,968</u>	<u>\$ 174,043</u>	<u>\$ (30,925)</u>
<b>EXPENDITURES</b>			
Current -			
Community development	\$ 204,968	\$ 171,846	\$ 33,122
Total expenditures	<u>\$ 204,968</u>	<u>\$ 171,846</u>	<u>\$ 33,122</u>
Excess of revenues over expenditures	\$ -	\$ 2,197	\$ 2,197
Net change in fund balances	\$ -	\$ 2,197	\$ 2,197
Fund balances - beginning	-	(247)	(247)
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,950</u>	<u>\$ 1,950</u>

## City of Hopewell, Virginia

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Anti-Litter Fund**  
**For the Year Ended June 30, 2013**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Revenue from the use of money and property	\$ -	\$ 5	\$ 5
Intergovernmental revenues -			
Commonwealth	5,000	5,648	648
Total revenues	<u>\$ 5,000</u>	<u>\$ 5,653</u>	<u>\$ 653</u>
<b>EXPENDITURES</b>			
Current -			
Public works	\$ 5,000	\$ 3,721	1,279
Total expenditures	<u>\$ 5,000</u>	<u>\$ 3,721</u>	<u>\$ 1,279</u>
Excess of revenues over expenditures	\$ -	\$ 1,932	\$ 1,932
Net change in fund balances	\$ -	\$ 1,932	\$ 1,932
Fund balances - beginning	12,622	12,622	25,244
Fund balances - ending	<u><u>\$ 12,622</u></u>	<u><u>\$ 14,554</u></u>	<u><u>\$ 27,176</u></u>

**City of Hopewell, Virginia**  
**Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended June 30, 2013**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>Special Welfare Fund:</b>				
Assets -				
Cash and cash equivalents	<u>\$ 61,538</u>	<u>\$ 70,458</u>	<u>\$ 60,046</u>	<u>\$ 71,950</u>
Liabilities -				
Amounts held for social services clients	<u>\$ 61,538</u>	<u>\$ 70,458</u>	<u>\$ 60,046</u>	<u>\$ 71,950</u>

**City of Hopewell, Virginia  
Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2013**

	School Operating Fund	School Cafeteria Fund	Textbook Fund	Building and Bus Replacement Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,927,078	\$ 763,383	\$ 807,936	\$ 1,214,491	\$ 5,712,888
Receivables, net of allowance for uncollectibles	103,143	1,908	-	-	105,051
Due from other funds	-	-	-	23,325	23,325
Due from other governmental units	1,474,326	313,538	-	-	1,787,864
Inventories	-	68,420	-	-	68,420
Total assets	<u>\$ 4,504,547</u>	<u>\$ 1,147,249</u>	<u>\$ 807,936</u>	<u>\$ 1,237,816</u>	<u>\$ 7,697,548</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 447,362	\$ 19,204	\$ 25,597	\$ -	\$ 492,163
Accrued liabilities	3,924,321	93,459	-	-	4,017,780
Due to other funds	23,325	-	-	-	23,325
Unearned revenues	-	50,405	-	-	50,405
Total liabilities	<u>\$ 4,395,008</u>	<u>\$ 163,068</u>	<u>\$ 25,597</u>	<u>\$ -</u>	<u>\$ 4,583,673</u>
Fund balances:					
Nonspendable	\$ -	\$ 68,420	\$ -	\$ -	\$ 68,420
Restricted	-	915,761	-	-	915,761
Assigned	-	-	782,339	1,237,816	2,020,155
Unassigned	109,539	-	-	-	109,539
Total fund balances	<u>\$ 109,539</u>	<u>\$ 984,181</u>	<u>\$ 782,339</u>	<u>\$ 1,237,816</u>	<u>\$ 3,113,875</u>
Total liabilities and fund balance	<u>\$ 4,504,547</u>	<u>\$ 1,147,249</u>	<u>\$ 807,936</u>	<u>\$ 1,237,816</u>	<u>\$ 7,697,548</u>
Total fund balances per above					\$ 3,113,875
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				\$ 38,328,658	
Less: accumulated depreciation				<u>(10,790,993)</u>	27,537,665
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				(697,900)	
OPEB liability				(959,034)	
Note payable to the City				<u>(1,811,668)</u>	(3,468,602)
Net position of governmental activities					<u>\$ 27,182,938</u>

**City of Hopewell, Virginia**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds - Discretely Presented Component Unit - School Board**  
**For the Year Ended June 30, 2013**

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Textbook Fund</u>	<u>Building and Bus Replacement Fund</u>	<u>Total</u>
<b>REVENUES</b>					
Revenue from the use of money and property	\$ 118	\$ 255	\$ 218	\$ 383	\$ 974
Charges for services	200,903	516,224	-	-	717,127
Miscellaneous	23,127	-	305	-	23,432
Recovered costs	165,733	-	-	-	165,733
Intergovernmental revenues:					
Local government	11,365,358	-	-	119,564	11,484,922
Commonwealth	24,066,294	44,050	263,825	-	24,374,169
Federal	5,110,910	1,945,730	-	-	7,056,640
Total revenues	<u>\$ 40,932,443</u>	<u>\$ 2,506,259</u>	<u>\$ 264,348</u>	<u>\$ 119,947</u>	<u>\$ 43,822,997</u>
<b>EXPENDITURES</b>					
Current:					
Administration	\$ 1,635,377	\$ -	\$ -	\$ -	\$ 1,635,377
Instruction	33,489,761	-	448,775	-	33,938,536
Operating	5,873,608	2,439,052	-	-	8,312,660
Capital projects	-	63,428	-	1,278,483	1,341,911
Total expenditures	<u>\$ 40,998,746</u>	<u>\$ 2,502,480</u>	<u>\$ 448,775</u>	<u>\$ 1,278,483</u>	<u>\$ 45,228,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (66,303)</u>	<u>\$ 3,779</u>	<u>\$ (184,427)</u>	<u>\$ (1,158,536)</u>	<u>\$ (1,405,487)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 434,642	\$ -	\$ -	\$ 457,969	\$ 892,611
Transfers out	(457,969)	-	-	(434,642)	(892,611)
Total other financing sources and (uses), net	<u>\$ (23,327)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,327</u>	<u>\$ -</u>
Net change in fund balances	\$ (89,630)	\$ 3,779	\$ (184,427)	\$ (1,135,209)	\$ (1,405,487)
Fund balances - beginning	199,169	980,402	966,766	2,373,025	4,519,362
Fund balances - ending	<u>\$ 109,539</u>	<u>\$ 984,181</u>	<u>\$ 782,339</u>	<u>\$ 1,237,816</u>	<u>\$ 3,113,875</u>
Net change in fund balances - total governmental funds - per above					\$ (1,405,487)
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				2,818,639	
Net change in City interest in School assets				961,106	
Depreciation expense				(776,136)	3,003,609
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				53,382	
Increase in OPEB liability				(189,478)	
Decrease in note payable to the Primary Government				100,760	(35,336)
Change in net position of governmental activities					<u>\$ 1,562,786</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Discretely Presented Component Unit - School Board**  
**For the Year Ended June 30, 2013**

<b>School Operating Fund</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 2,000	\$ 2,000	\$ 118	\$ (1,882)
Charges for services	384,039	384,039	200,903	(183,136)
Miscellaneous	179,398	199,196	23,127	(176,069)
Recovered costs	95,000	95,000	165,733	70,733
Intergovernmental revenues:				
Local government	11,365,358	11,365,358	11,365,358	-
Commonwealth	24,455,508	24,455,508	24,066,294	(389,214)
Federal	5,417,555	5,739,686	5,110,910	(628,776)
Total revenues	<u>\$ 41,898,858</u>	<u>\$ 42,240,787</u>	<u>\$ 40,932,443</u>	<u>\$ (1,308,344)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 41,839,873	\$ 42,451,742	\$ 40,998,746	\$ 1,452,996
Debt service	2,470,386	2,602,322	-	2,602,322
Total expenditures	<u>\$ 44,310,259</u>	<u>\$ 45,054,064</u>	<u>\$ 40,998,746</u>	<u>\$ 4,055,318</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,411,401)</u>	<u>\$ (2,813,277)</u>	<u>\$ (66,303)</u>	<u>\$ 2,746,974</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 2,846,043	\$ 3,048,752	\$ 434,642	\$ (2,614,110)
Transfers out	(434,642)	(434,642)	(457,969)	(23,327)
Total other financing sources and (uses), net	<u>\$ 2,411,401</u>	<u>\$ 2,614,110</u>	<u>\$ (23,327)</u>	<u>\$ (2,637,437)</u>
Net change in fund balance	\$ -	\$ (199,167)	\$ (89,630)	\$ 109,537
Fund balance - beginning	-	199,167	199,169	2
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,539</u>	<u>\$ 109,539</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Discretely Presented Component Unit - School Board**  
**For the Year Ended June 30, 2013**

	<b>School Cafeteria Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 8,000	\$ 8,000	\$ 255	\$ (7,745)
Charges for services	567,000	567,000	516,224	(50,776)
Intergovernmental revenues:				
Commonwealth	42,285	42,285	44,050	1,765
Federal	1,190,000	1,190,000	1,945,730	755,730
Total revenues	<u>\$ 1,807,285</u>	<u>\$ 1,807,285</u>	<u>\$ 2,506,259</u>	<u>\$ 698,974</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 2,140,608	\$ 2,262,608	\$ 2,062,387	\$ 200,221
Operations and maintenance	591,254	476,354	376,665	99,689
Capital projects	75,423	68,323	63,428	4,895
Total expenditures	<u>\$ 2,807,285</u>	<u>\$ 2,807,285</u>	<u>\$ 2,502,480</u>	<u>\$ 304,805</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ 3,779</u>	<u>\$ 1,003,779</u>
Net change in fund balance	\$ (1,000,000)	\$ (1,000,000)	\$ 3,779	\$ 1,003,779
Fund balance - beginning	1,000,000	1,000,000	980,402	(19,598)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 984,181</u>	<u>\$ 984,181</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Discretely Presented Component Unit - School Board**  
**For the Year Ended June 30, 2013**

	<b>Textbook Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 5,000	\$ 5,000	\$ 218	\$ (4,782)
Miscellaneous	500	500	305	(195)
Intergovernmental revenues -				
Commonwealth	266,800	266,800	263,825	(2,975)
Total revenues	<u>\$ 272,300</u>	<u>\$ 272,300</u>	<u>\$ 264,348</u>	<u>\$ (7,952)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 650,000	\$ 650,000	\$ 448,775	\$ 201,225
Total expenditures	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ 448,775</u>	<u>\$ 201,225</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (377,700)</u>	<u>\$ (377,700)</u>	<u>\$ (184,427)</u>	<u>\$ 193,273</u>
Net change in fund balance	\$ (377,700)	\$ (377,700)	\$ (184,427)	\$ 193,273
Fund balance - beginning	742,515	742,515	966,766	224,251
Fund balance - ending	<u>\$ 364,815</u>	<u>\$ 364,815</u>	<u>\$ 782,339</u>	<u>\$ 417,524</u>

City of Hopewell, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2013

	<u>Building and Bus Replacement Fund</u>			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 400	\$ 400	\$ 383	\$ (17)
Intergovernmental revenues -				
Local government	-	-	119,564	119,564
Total revenues	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 119,947</u>	<u>\$ 119,547</u>
<b>EXPENDITURES</b>				
Capital projects:				
Capital outlay	\$ 575,000	\$ 1,642,425	\$ 1,137,818	\$ 504,607
Purchased services and other	-	151,000	140,665	10,335
Total expenditures	<u>\$ 575,000</u>	<u>\$ 1,793,425</u>	<u>\$ 1,278,483</u>	<u>\$ 514,942</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (574,600)</u>	<u>\$ (1,793,025)</u>	<u>\$ (1,158,536)</u>	<u>\$ 634,489</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 434,642	\$ 434,642	\$ 457,969	\$ 23,327
Transfers out	(434,642)	(434,642)	(434,642)	-
Total other financing sources, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,327</u>	<u>\$ 23,327</u>
Net change in fund balances	\$ (574,600)	\$ (1,793,025)	\$ (1,135,209)	\$ 657,816
Fund balances - beginning	750,000	1,330,000	2,373,025	1,043,025
Fund balances - ending	<u>\$ 175,400</u>	<u>\$ (463,025)</u>	<u>\$ 1,237,816</u>	<u>\$ 1,700,841</u>

**City of Hopewell, Virginia**  
**Balance Sheet**  
**Discretely Presented Component Unit - Comprehensive Services Act Board**  
**June 30, 2013**

**ASSETS**

Due from other governmental units	\$ 366,206
Total assets	366,206

**LIABILITIES AND FUND BALANCES**

Liabilities:

Accounts payable	135,144
Accrued liabilities	831
Due to other governmental units	230,231
Total liabilities	366,206

Fund balances:

Unassigned	-
Total fund balance	-
Total liabilities and fund balances	\$ 366,206

**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, 2013**

**REVENUES**

Miscellaneous	\$ 27,926
Intergovernmental revenues:	
Local government	967,327
Commonwealth	2,688,734
Total revenues	<u>\$ 3,683,987</u>

**EXPENDITURES**

Current:	
Health and welfare	<u>\$ 3,685,604</u>
Total expenditures	<u>\$ 3,685,604</u>
Deficiency of revenues under expenditures	<u>\$ (1,617)</u>
Net change in fund balance	\$ (1,617)
Fund balance - beginning	<u>1,617</u>
Fund balance - ending	<u><u>\$ -</u></u>

**City of Hopewell, Virginia**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>General Fund</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 13,695,460	\$ 13,695,460	\$ 14,088,678	\$ 393,218
Real and personal public service corporation taxes	3,415,000	3,415,000	3,391,300	(23,700)
Personal property taxes	4,716,364	4,716,364	2,452,886	(2,263,478)
Machinery and tools taxes	4,409,744	4,409,744	5,797,880	1,388,136
Penalties	300,000	300,000	394,929	94,929
Interest	-	-	334,159	334,159
Total general property taxes	<u>\$ 26,536,568</u>	<u>\$ 26,536,568</u>	<u>\$ 26,459,832</u>	<u>\$ (76,736)</u>
Other local taxes				
Local sales and use taxes	\$ 1,850,000	\$ 1,850,000	\$ 1,989,128	\$ 139,128
Consumers' utility taxes	-	-	355,950	355,950
Electric and natural gas consumption taxes	1,800,000	1,800,000	468,720	(1,331,280)
Communications tax	-	-	863,070	863,070
Right of way user fees	60,000	60,000	56,971	(3,029)
Business license taxes	1,650,000	1,650,000	1,738,831	88,831
Cable TV and gas franchise tax	2,100	2,100	4,200	2,100
Motor vehicle licenses	360,000	360,000	354,764	(5,236)
Bank stock taxes	100,000	100,000	106,048	6,048
Taxes on recordation and wills	150,000	150,000	148,591	(1,409)
Total other taxes	<u>\$ 5,972,100</u>	<u>\$ 5,972,100</u>	<u>\$ 6,086,273</u>	<u>\$ 114,173</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,500	\$ 5,500	\$ 5,767	\$ 267
Permits and other licenses	13,000	13,000	37,122	24,122
Total permits, privilege fees, and regulators licenses	<u>\$ 18,500</u>	<u>\$ 18,500</u>	<u>\$ 42,889</u>	<u>\$ 24,389</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,577,692	\$ 1,577,692	\$ 1,544,560	\$ (33,132)
Revenue from use of money and property:				
Revenue from use of money	\$ 32,339	\$ 32,339	\$ 9,059	\$ (23,280)
Revenue from use of property	70,000	70,000	63,666	(6,334)
Total revenue from use of money and property	<u>\$ 102,339</u>	<u>\$ 102,339</u>	<u>\$ 72,725</u>	<u>\$ (29,614)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 2,200	\$ 2,200	\$ 9,623	\$ 7,423
Charges for courthouse maintenance	32,000	32,000	37,325	5,325
Charges for EMS	306,000	306,000	358,705	52,705
Charges for law library	-	20,000	-	(20,000)
Charges for courthouse security	135,000	135,000	166,433	31,433
Miscellaneous dog fees	5,000	5,000	4,484	(516)
Total charges for services	<u>\$ 480,200</u>	<u>\$ 500,200</u>	<u>\$ 576,570</u>	<u>\$ 76,370</u>
Miscellaneous revenue:				
Miscellaneous	\$ 1,031,940	\$ 1,803,871	136,234	\$ (1,667,637)
Payment in lieu of taxes	1,184,480	1,184,480	1,220,167	35,687
Total miscellaneous revenue	<u>\$ 2,216,420</u>	<u>\$ 2,988,351</u>	<u>\$ 1,356,401</u>	<u>\$ (1,631,950)</u>
Recovered costs:				
Administrative charge back solid waste	\$ 502,000	\$ 502,000	\$ 502,000	\$ -
Administrative charge back sewer service	382,500	382,500	382,500	-
Total recovered costs	<u>\$ 884,500</u>	<u>\$ 884,500</u>	<u>\$ 884,500</u>	<u>\$ -</u>
Total revenue from local sources	<u>\$ 37,788,319</u>	<u>\$ 38,580,250</u>	<u>\$ 37,023,750</u>	<u>\$ (1,556,500)</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 23,000	\$ 23,000	\$ 26,377	\$ 3,377
Mobile home titling tax	-	-	2,532	2,532
State recordation tax	25,000	25,000	36,655	11,655
Personal property tax relief funds	-	-	1,618,030	1,618,030
Total noncategorical aid	<u>\$ 48,000</u>	<u>\$ 48,000</u>	<u>\$ 1,683,594</u>	<u>\$ 1,635,594</u>
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	\$ 378,934	\$ 389,429	\$ 378,555	\$ (10,874)
Sheriff	323,629	323,629	324,106	477
Commissioner of Revenue	100,807	100,807	101,448	641
Treasurer	96,888	96,888	101,734	4,846
Registrar/Electoral Board	33,750	33,750	35,212	1,462
Clerk of the Circuit Court	215,911	215,911	220,038	4,127
Total shared expenses	<u>\$ 1,149,919</u>	<u>\$ 1,160,414</u>	<u>\$ 1,161,093</u>	<u>\$ 679</u>
Other categorical aid:				
Street and highway maintenance	\$ 3,483,372	\$ 3,483,372	\$ 3,503,833	\$ 20,461
Emergency medical services- 4 for life	17,000	17,000	18,444	1,444
DMV	10,000	10,000	17,780	7,780
Other state aid	-	-	10,845	10,845
HB 599 police support	1,267,000	1,267,000	1,267,000	-
E-911 wireless grant	40,000	40,000	89,701	49,701
Victim-witness grant	114,037	114,037	72,883	(41,154)
VJCCA	104,528	104,528	105,185	657
Fire programs	64,000	64,000	64,431	431
Total other categorical aid	<u>\$ 5,099,937</u>	<u>\$ 5,099,937</u>	<u>\$ 5,150,102</u>	<u>\$ 50,165</u>
Total categorical aid	<u>\$ 6,249,856</u>	<u>\$ 6,260,351</u>	<u>\$ 6,311,195</u>	<u>\$ 50,844</u>
Total revenue from the Commonwealth	<u>\$ 6,297,856</u>	<u>\$ 6,308,351</u>	<u>\$ 7,994,789</u>	<u>\$ 1,686,438</u>
Revenue from the federal government:				
Categorical aid:				
Civil defense, emergency management	\$ 195,364	\$ 278,158	\$ 81,016	\$ (197,142)
CDBG, Social services indirect cost allocation	70,000	70,000	88,035	18,035
OJP grant	-	78,269	327,955	249,686
Fire grant	58,766	58,766	321,442	262,676
Other federal aid	-	56,373	33,897	(22,476)
Total categorical aid	<u>\$ 324,130</u>	<u>\$ 541,566</u>	<u>\$ 852,345</u>	<u>\$ 310,779</u>
Total revenue from the federal government	<u>\$ 324,130</u>	<u>\$ 541,566</u>	<u>\$ 852,345</u>	<u>\$ 310,779</u>
Total General Fund	<u>\$ 44,410,305</u>	<u>\$ 45,430,167</u>	<u>\$ 45,870,884</u>	<u>\$ 440,717</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>General Fund Expenditures:</b>				
General government administration:				
Legislative:				
City Council	\$ 143,800	\$ 143,800	\$ 138,464	\$ 5,336
City Clerk	81,412	81,412	70,130	11,282
Total general government administration	<u>\$ 225,212</u>	<u>\$ 225,212</u>	<u>\$ 208,594</u>	<u>\$ 16,618</u>
General and financial administration:				
City Manager	\$ 246,315	\$ 246,315	\$ 241,635	\$ 4,680
City Attorney	210,588	260,588	240,194	20,394
Economic development	70,000	70,000	57,676	12,324
Intergovernmental affairs	93,184	93,184	69,750	23,434
Commissioner of Revenue	294,700	298,864	298,865	(1)
Human resources department	199,730	199,730	186,934	12,796
Treasurer	273,600	293,810	293,810	-
Finance	1,298,750	1,346,838	1,306,279	40,559
Total general and financial administration	<u>\$ 2,686,867</u>	<u>\$ 2,809,329</u>	<u>\$ 2,695,143</u>	<u>\$ 114,186</u>
Board of elections				
Electoral board and officials	\$ 145,526	\$ 149,528	\$ 134,414	\$ 15,114
Total board of elections	<u>\$ 145,526</u>	<u>\$ 149,528</u>	<u>\$ 134,414</u>	<u>\$ 15,114</u>
Total general government administration	<u>\$ 3,057,605</u>	<u>\$ 3,184,069</u>	<u>\$ 3,038,151</u>	<u>\$ 145,918</u>
Judicial administration:				
Courts:				
Circuit Court	\$ 74,153	\$ 74,153	\$ 51,433	\$ 22,720
General district court	57,659	65,065	65,064	1
Sheriff	1,122,245	1,123,599	1,085,430	38,169
Law library	-	20,000	(8,676)	28,676
Clerk of the circuit court	271,581	292,772	292,772	-
Court services unit	8,500	8,500	5,818	2,682
Southside Legal Aid contribution	500	500	500	-
Total courts	<u>\$ 1,534,638</u>	<u>\$ 1,584,589</u>	<u>\$ 1,492,341</u>	<u>\$ 92,248</u>
Commonwealth's Attorney				
Commonwealth's Attorney	\$ 387,644	\$ 423,774	\$ 423,775	\$ (1)
Total commonwealth's attorney	<u>\$ 387,644</u>	<u>\$ 423,774</u>	<u>\$ 423,775</u>	<u>\$ (1)</u>
Total jurisdictional administration	<u>\$ 1,922,282</u>	<u>\$ 2,008,363</u>	<u>\$ 1,916,116</u>	<u>\$ 92,247</u>
Public Safety:				
Law enforcement and traffic control:				
Police department	\$ 4,994,300	\$ 5,310,796	\$ 5,160,844	\$ 149,952
Total law enforcement and traffic control	<u>\$ 4,994,300</u>	<u>\$ 5,310,796</u>	<u>\$ 5,160,844</u>	<u>\$ 149,952</u>
Fire and rescue services:				
Fire department	\$ 2,701,390	\$ 2,755,299	\$ 2,553,890	\$ 201,409
Total fire and rescue services	<u>\$ 2,701,390</u>	<u>\$ 2,755,299</u>	<u>\$ 2,553,890</u>	<u>\$ 201,409</u>
Correction and detention:				
Crater Youth Care Commission	\$ 277,000	\$ 277,000	\$ 260,171	\$ 16,829
Riverside Regional Jail	2,637,000	2,595,811	2,397,560	198,251
VJCCCA grant	146,204	148,289	148,290	(1)
Total correction and detention	<u>\$ 3,060,204</u>	<u>\$ 3,021,100</u>	<u>\$ 2,806,021</u>	<u>\$ 215,079</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>General Fund: (Continued)</b>				
Inspections:				
Building	\$ 229,908	\$ 230,708	\$ 217,795	\$ 12,913
Total inspections	<u>\$ 229,908</u>	<u>\$ 230,708</u>	<u>\$ 217,795</u>	<u>\$ 12,913</u>
Other protection				
Animal control	\$ 148,246	\$ 247,681	\$ 138,323	\$ 109,358
Emergency and safety services	95,646	97,642	89,177	8,465
Total other protection	<u>\$ 243,892</u>	<u>\$ 345,323</u>	<u>\$ 227,500</u>	<u>\$ 117,823</u>
Total public safety	<u>\$ 11,229,694</u>	<u>\$ 11,663,226</u>	<u>\$ 10,966,050</u>	<u>\$ 697,176</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks				
General engineering	\$ 3,669,952	\$ 3,669,952	\$ 3,477,039	\$ 192,913
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 3,669,952</u>	<u>\$ 3,669,952</u>	<u>\$ 3,477,039</u>	<u>\$ 192,913</u>
Maintenance of general buildings and grounds:				
Cemetery perpetual care	\$ 45,150	\$ 35,500	\$ 23,199	\$ 12,301
Total maintenance of general buildings and grounds	<u>\$ 45,150</u>	<u>\$ 35,500</u>	<u>\$ 23,199</u>	<u>\$ 12,301</u>
Total public works	<u>\$ 3,715,102</u>	<u>\$ 3,705,452</u>	<u>\$ 3,500,238</u>	<u>\$ 205,214</u>
Health and welfare:				
Health				
Supplement of local health department	\$ 212,000	\$ 212,000	\$ 211,840	\$ 160
Total health	<u>\$ 212,000</u>	<u>\$ 212,000</u>	<u>\$ 211,840</u>	<u>\$ 160</u>
Mental health and mental retardation				
Community services board	\$ 108,420	\$ 108,420	\$ 108,420	\$ -
Total mental health and retardation	<u>\$ 108,420</u>	<u>\$ 108,420</u>	<u>\$ 108,420</u>	<u>\$ -</u>
Welfare:				
Contribution fo Comprehensive Services Act Board	\$ 597,577	\$ 1,105,245	\$ 967,327	\$ 137,918
Tax relief for the elderly	230,000	294,120	294,120	-
Total welfare	<u>\$ 827,577</u>	<u>\$ 1,399,365</u>	<u>\$ 1,261,447</u>	<u>\$ 137,918</u>
Total health and welfare	<u>\$ 1,147,997</u>	<u>\$ 1,719,785</u>	<u>\$ 1,581,707</u>	<u>\$ 138,078</u>
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 3,697	\$ 3,697	\$ 3,697	\$ -
Contribution to City School Board	9,227,666	9,227,666	9,227,666	-
Total education	<u>\$ 9,231,363</u>	<u>\$ 9,231,363</u>	<u>\$ 9,231,363</u>	<u>\$ -</u>
Parks, recreation, and cultural				
Cultural enrichment:				
Historic Hopewell Foundation	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Arts and humanities	-	-	1,000	(1,000)
Total cultural enrichment	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 13,000</u>	<u>\$ (1,000)</u>
Library:				
Contribution to regional library	\$ 551,274	\$ 551,274	\$ 551,274	\$ -
Total library	<u>\$ 551,274</u>	<u>\$ 551,274</u>	<u>\$ 551,274</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 563,274</u>	<u>\$ 563,274</u>	<u>\$ 564,274</u>	<u>\$ (1,000)</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Original Budget	Final Budget	Actual	Variance with Final Positive (Negative)
<b>General Fund: (Continued)</b>				
Community development:				
Planning and community development:				
Community development	\$ 423,742	\$ 403,137	\$ 372,382	\$ 30,755
Tourism and economic development	193,871	193,983	174,006	19,977
Total planning and community development	<u>\$ 617,613</u>	<u>\$ 597,120</u>	<u>\$ 546,388</u>	<u>\$ 50,732</u>
Nondepartmental:				
Employee welfare and other benefits	\$ 4,715,502	\$ 4,715,875	\$ 4,406,092	\$ 309,783
Property and liability insurance	330,558	330,558	330,558	-
Other	101,892	101,672	64,345	37,327
Contingency	378,739	196,263	196,263	-
Contributions to civic organizations	155,541	155,741	156,182	(441)
Total nondepartmental	<u>\$ 5,682,232</u>	<u>\$ 5,500,109</u>	<u>\$ 5,153,440</u>	<u>\$ 346,669</u>
Debt service:				
Principal retirement	\$ 1,457,773	\$ 1,457,773	\$ 1,457,773	-
Interest and other fiscal charges	1,114,561	1,114,561	1,114,561	-
Total debt service	<u>\$ 2,572,334</u>	<u>\$ 2,572,334</u>	<u>\$ 2,572,334</u>	<u>\$ -</u>
 Total General Fund	 <u>\$ 39,739,496</u>	 <u>\$ 40,745,095</u>	 <u>\$ 39,070,061</u>	 <u>\$ 1,675,034</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**Virginia Public Assistance Fund**  
**For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
Revenue from the Commonwealth:				
Categorical aid -				
Public assistance and welfare administration	\$ 1,204,892	\$ 1,204,892	\$ 1,133,884	\$ (71,008)
Total categorical aid	<u>\$ 1,204,892</u>	<u>\$ 1,204,892</u>	<u>\$ 1,133,884</u>	<u>\$ (71,008)</u>
Total revenue from the Commonwealth	<u>\$ 1,204,892</u>	<u>\$ 1,204,892</u>	<u>\$ 1,133,884</u>	<u>\$ (71,008)</u>
Revenue from the federal government				
Categorical aid -				
Public assistance and welfare administration	\$ 2,446,507	\$ 2,446,507	\$ 1,859,318	\$ (587,189)
Total categorical aid	<u>\$ 2,446,507</u>	<u>\$ 2,446,507</u>	<u>\$ 1,859,318</u>	<u>\$ (587,189)</u>
Total revenue from the federal government	<u>\$ 2,446,507</u>	<u>\$ 2,446,507</u>	<u>\$ 1,859,318</u>	<u>\$ (587,189)</u>
Other Revenue -				
Revenue from the use of money and property	\$ -	\$ -	\$ 3	\$ 3
Total Virginia Public Assistance Fund	<u>\$ 3,651,399</u>	<u>\$ 3,651,399</u>	<u>\$ 2,993,205</u>	<u>\$ (658,194)</u>
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 3,432,809	\$ 3,432,809	\$ 2,738,489	\$ 694,320
Public assistance	775,050	775,050	709,872	65,178
Purchased services	151,176	151,176	124,477	26,699
Total welfare and social services	<u>\$ 4,359,035</u>	<u>\$ 4,359,035</u>	<u>\$ 3,572,838</u>	<u>\$ 786,197</u>
Total health and welfare	<u>\$ 4,359,035</u>	<u>\$ 4,359,035</u>	<u>\$ 3,572,838</u>	<u>\$ 786,197</u>
Total Virginia Public Assistance Fund	<u>\$ 4,359,035</u>	<u>\$ 4,359,035</u>	<u>\$ 3,572,838</u>	<u>\$ 786,197</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**Recreation Fund**  
**For the Year Ended June 30, 2013**

	Final Budget	Actual	Variance with Final Positive (Negative)
Revenue from local sources:			
Revenue from use of money and property:			
Revenue from the use of money	\$ 40	\$ 89	\$ 49
Revenue from the use of property	266,146	164,938	(101,208)
Total revenue from use of money and property	<u>\$ 266,186</u>	<u>\$ 165,027</u>	<u>\$ (101,159)</u>
Charges for services -			
Other charges for services	\$ 98,450	\$ 85,564	\$ (12,886)
Total charges for services	<u>\$ 98,450</u>	<u>\$ 85,564</u>	<u>\$ (12,886)</u>
Miscellaneous revenue:			
Donations	\$ 57,901	\$ 33,469	\$ (24,432)
Miscellaneous refunds and grants	43,933	-	(43,933)
Total miscellaneous revenue	<u>\$ 101,834</u>	<u>\$ 33,469</u>	<u>\$ (68,365)</u>
Total revenue from local sources	<u>\$ 466,470</u>	<u>\$ 284,060</u>	<u>\$ (182,410)</u>
Revenue from the federal government			
Categorical aid -			
Summer feeding program	\$ 8,000	\$ 13,348	\$ 5,348
Total categorical aid	<u>\$ 8,000</u>	<u>\$ 13,348</u>	<u>\$ 5,348</u>
Total revenue from the federal government	<u>\$ 8,000</u>	<u>\$ 13,348</u>	<u>\$ 5,348</u>
Total Revenues	<u><u>\$ 474,470</u></u>	<u><u>\$ 297,408</u></u>	<u><u>\$ (177,062)</u></u>
<b>Parks, recreation, and cultural:</b>			
Parks and recreation:			
Recreation centers and playgrounds	\$ 654,051	\$ 560,708	\$ 93,343
Community division	115,344	97,035	18,309
Athletics division	149,003	135,783	13,220
Seniors division	143,601	130,478	13,123
Pool center	198,684	190,533	8,151
Parks	406,641	376,131	30,510
Harbor patrol and marina operation	98,450	59,588	38,862
Total parks and recreation	<u>\$ 1,765,774</u>	<u>\$ 1,550,256</u>	<u>\$ 215,518</u>
Total Expenditures	<u><u>\$ 1,765,774</u></u>	<u><u>\$ 1,550,256</u></u>	<u><u>\$ 215,518</u></u>

**City of Hopewell, Virginia**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**Community Development Block Grant Fund**  
**For the Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
<b>Revenues</b>			
Revenue from local sources -			
Revenue from use of money and property	\$ -	\$ 1	\$ 1
Total revenue from the use of money	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
Revenue from the federal government			
Categorical aid -			
Community Development Block Grant funds	\$ 204,968	\$ 174,042	\$ (30,926)
Total categorical aid	<u>\$ 204,968</u>	<u>\$ 174,042</u>	<u>\$ (30,926)</u>
Total revenue from the federal government	<u>\$ 204,968</u>	<u>\$ 174,042</u>	<u>\$ (30,926)</u>
Total revenues	<u><u>\$ 204,968</u></u>	<u><u>\$ 174,043</u></u>	<u><u>\$ (30,925)</u></u>
<b>Expenditures</b>			
Community development -			
Planning and community development	\$ 204,968	\$ 171,846	\$ 33,122
Total expenditures	<u>\$ 204,968</u>	<u>\$ 171,846</u>	<u>\$ 33,122</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**Anti-Litter Fund**  
**For the Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
<b>Revenues</b>			
Revenue from local sources -			
Revenue from use of money and property	\$ -	\$ 5	\$ 5
Total revenue from use of money	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 5</u>
Revenue from the Commonwealth:			
Categorical aid -			
Anti-litter grant	\$ 5,000	\$ 5,648	\$ 648
Total categorical aid	<u>\$ 5,000</u>	<u>\$ 5,648</u>	<u>\$ 648</u>
Total revenue from the Commonwealth	<u>\$ 5,000</u>	<u>\$ 5,648</u>	<u>\$ 648</u>
Total revenues	<u><u>\$ 5,000</u></u>	<u><u>\$ 5,653</u></u>	<u><u>\$ 653</u></u>
<b>Expenditures</b>			
Public works -			
Sanitation and waste removal	\$ 5,000	\$ 3,721	\$ 1,279
Total expenditures	<u>\$ 5,000</u>	<u>\$ 3,721</u>	<u>\$ 1,279</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Positive (Negative)</u>
<b>Revenues</b>			
Revenue from other governments:			
Commonwealth	\$ -	\$ 307,592	\$ 307,592
Federal Government	350,000	150,969	(199,031)
Total revenue from other governments	<u>\$ 350,000</u>	<u>\$ 458,561</u>	<u>\$ 108,561</u>
Local sources:			
Other local taxes:			
Hotel and motel room taxes	\$ 875,000	\$ 856,442	\$ (18,558)
Restaurant food taxes	1,770,000	1,765,222	(4,778)
Total other local taxes	<u>\$ 2,645,000</u>	<u>\$ 2,621,664</u>	<u>\$ (23,336)</u>
Revenue from use of money and property -			
Revenue from the use of money	\$ 25,000	\$ 37,792	\$ 12,792
Total revenue from use of money and property	<u>\$ 25,000</u>	<u>\$ 37,792</u>	<u>\$ 12,792</u>
Miscellaneous revenue -			
Other miscellaneous	\$ 8,338,234	\$ 933,499	\$ (7,404,735)
Total miscellaneous revenue	<u>\$ 8,338,234</u>	<u>\$ 933,499</u>	<u>\$ (7,404,735)</u>
Total revenue from local sources	<u>\$ 11,008,234</u>	<u>\$ 3,592,955</u>	<u>\$ (7,415,279)</u>
Total revenues	<u>\$ 11,358,234</u>	<u>\$ 4,051,516</u>	<u>\$ (7,306,718)</u>
<b>Expenditures</b>			
Education:			
Capital projects:			
Contribution to City School Board	\$ -	\$ 1,871,553	\$ (1,871,553)
Capital projects expenditures:			
GIS mapping	\$ 33,307	\$ -	\$ 33,307
Other projects	8,134,101	1,866,627	6,267,474
Streets, curbs, and gutters	684,752	531,265	153,487
Information management system	50,000	49,363	637
Downtown development plan and program	247,879	65,365	182,514
Atwater Road project	193,300	160,863	32,437
Dinwiddie Avenue project	249,875	396,120	(146,245)
Human services building	-	662	(662)
Total capital projects	<u>\$ 9,593,214</u>	<u>\$ 3,070,265</u>	<u>\$ 6,522,949</u>
Debt Service:			
Principal retirement	\$ 1,574,667	\$ 1,053,000	\$ 521,667
Interest and other fiscal charges	2,076,484	1,849,524	226,960
Total debt service	<u>\$ 3,651,151</u>	<u>\$ 2,902,524</u>	<u>\$ 748,627</u>
Total Expenditures	<u>\$ 13,244,365</u>	<u>\$ 7,844,342</u>	<u>\$ 5,400,023</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues - Budget and Actual**  
**Component Unit School Board**  
**For the Year Ended June 30, 2013**

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property -				
Revenue from the use of money	\$ 2,000	\$ 2,000	\$ 118	\$ (1,882)
Charges for services -				
Charges for education	384,039	384,039	200,903	(183,136)
Miscellaneous revenue:				
Other miscellaneous	179,398	179,398	23,127	(156,271)
Rescinded Revenue	-	19,798	-	(19,798)
Recovered costs -				
E-rate funds	95,000	95,000	165,733	70,733
<b>Total revenue from local sources</b>	<b>660,437</b>	<b>680,235</b>	<b>389,881</b>	<b>(290,354)</b>
Intergovernmental revenues:				
Revenues from local governments -				
Contribution from the City of Hopewell, Virginia	11,365,358	11,365,358	11,365,358	-
<b>Total revenues from local governments</b>	<b>11,365,358</b>	<b>11,365,358</b>	<b>11,365,358</b>	<b>-</b>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	3,565,000	3,565,000	3,540,612	(24,388)
Basic school aid	11,905,029	11,905,029	11,721,287	(183,742)
ISAFP	15,717	15,717	15,717	-
Remedial summer education	134,509	134,509	140,640	6,131
Regular foster care	23,821	23,821	-	(23,821)
Special education foster care	-	-	20,570	20,570
Homebound education	30,347	30,347	17,316	(13,031)
Gifted and talented	136,775	136,775	135,250	(1,525)
Remedial education	817,674	817,674	808,558	(9,116)
Special education	1,804,830	1,804,830	1,784,708	(20,122)
Vocational	11,002	11,002	7,114	(3,888)
Vocational adult	6,684	6,684	-	(6,684)
Vocational education	202,188	202,188	201,284	(904)
Social security fringe benefits	820,647	820,647	811,498	(9,149)
Retirement fringe benefits	1,367,746	1,367,746	1,352,497	(15,249)
Group life insurance benefits	50,547	50,547	49,984	(563)
Early reading intervention	107,113	107,113	123,775	16,662
At risk payments	1,020,809	1,020,809	1,009,381	(11,428)
Primary class size	1,155,220	1,155,220	1,142,298	(12,922)
At risk four year olds	635,842	635,842	576,374	(59,468)
Education technology	206,000	206,000	180,000	(26,000)
Standards of Learning algebra readiness	92,489	92,489	87,171	(5,318)
Standards of Learning teaching materials	-	-	7,925	7,925
National board certified teacher	5,000	5,000	7,000	2,000
Mentor teacher program	4,309	4,309	4,660	351
English as a second language	101,372	101,372	81,825	(19,547)
Industry certification cost	-	-	4,012	4,012
Additional assistance for retention	234,149	234,149	234,149	-
Eipen grant	689	689	689	-
<b>Total categorical aid</b>	<b>\$ 24,455,508</b>	<b>\$ 24,455,508</b>	<b>\$ 24,066,294</b>	<b>\$ (389,214)</b>
<b>Total revenue from the Commonwealth</b>	<b>\$ 24,455,508</b>	<b>\$ 24,455,508</b>	<b>\$ 24,066,294</b>	<b>\$ (389,214)</b>

**City of Hopewell, Virginia**  
**Schedule of Revenues - Budget and Actual**  
**Component Unit School Board**  
**For the Year Ended June 30, 2013**

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,949,948	\$ 2,291,876	\$ 1,704,557	\$ (587,319)
Title I School Improvement	-	-	7,772	7,772
Title VI-B, special education	878,745	921,662	953,224	31,562
Vocational education	99,329	99,329	102,753	3,424
Title III	55,166	66,642	26,256	(40,386)
Title II	286,010	286,010	286,955	945
Impact aid	38,640	38,640	38,923	283
Gear up	-	5,000	5,000	-
School Improvement Grant	793,159	690,846	481,515	(209,331)
JROTC	59,500	59,500	63,198	3,698
Head start	1,181,964	1,181,964	1,330,314	148,350
Medicaid reimbursements	75,094	98,217	110,443	12,226
Total categorical aid	<u>5,417,555</u>	<u>5,739,686</u>	<u>5,110,910</u>	<u>(628,776)</u>
Total School Operating Fund	<u>\$ 41,898,858</u>	<u>\$ 42,240,787</u>	<u>\$ 40,932,443</u>	<u>\$ (1,308,344)</u>
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property -				
Revenue from the use of money	\$ 8,000	\$ 8,000	\$ 255	\$ (7,745)
Charges for services -				
Cafeteria sales	<u>567,000</u>	<u>567,000</u>	<u>516,224</u>	<u>(50,776)</u>
Total revenue from local sources	<u>575,000</u>	<u>575,000</u>	<u>516,479</u>	<u>(58,521)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid -				
School food program grant	<u>42,285</u>	<u>42,285</u>	<u>44,050</u>	<u>1,765</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	1,190,000	1,190,000	1,851,379	661,379
USDA commodities	-	-	94,351	94,351
Total categorical aid	<u>1,190,000</u>	<u>1,190,000</u>	<u>1,945,730</u>	<u>755,730</u>
Total revenue from the federal government	<u>1,190,000</u>	<u>1,190,000</u>	<u>1,945,730</u>	<u>755,730</u>
Total School Cafeteria Fund	<u>\$ 1,807,285</u>	<u>\$ 1,807,285</u>	<u>\$ 2,506,259</u>	<u>\$ 698,974</u>

**City of Hopewell, Virginia**  
**Schedule of Revenues - Budget and Actual**  
**Component Unit School Board**  
**For the Year Ended June 30, 2013**

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Textbook Fund:</b>				
Revenue from use of money and property -				
Revenue from the use of money	\$ 5,000	\$ 5,000	\$ 218	\$ (4,782)
Total revenue from use of money and property	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 218</u>	<u>\$ (4,782)</u>
Miscellaneous revenue -				
Other miscellaneous	500	500	305	(195)
Total miscellaneous revenue	<u>500</u>	<u>500</u>	<u>305</u>	<u>(195)</u>
Intergovernmental revenues:				
Revenues from the Commonwealth:				
Categorical aid -				
Textbook funds	266,800	266,800	263,825	(2,975)
Total revenue from the Commonwealth	<u>266,800</u>	<u>266,800</u>	<u>263,825</u>	<u>(2,975)</u>
Total School Textbook Fund	<u>\$ 272,300</u>	<u>\$ 272,300</u>	<u>\$ 264,348</u>	<u>\$ (7,952)</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Capital Projects Fund</b>				
<b>Building and Bus Replacement Fund</b>				
Revenue from use of money and property:				
Revenue from the use of money	\$ 400	\$ 400	\$ 383	\$ (17)
Total revenue from use of money and property	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 383</u>	<u>\$ (17)</u>
Revenue from local contribution:				
Revenue from local bond issue	-	-	119,564	119,564
Total miscellaneous revenue	<u>-</u>	<u>-</u>	<u>119,564</u>	<u>119,564</u>
Total Building and Bus Replacement Fund	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 119,947</u>	<u>\$ 119,547</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 43,978,843</u>	<u>\$ 44,320,772</u>	<u>\$ 43,822,997</u>	<u>\$ (497,775)</u>

City of Hopewell, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Component Unit - School Board  
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board</b>				
<b>School Operating Fund</b>				
Education:				
Administration of schools -				
Administration	\$ 1,545,396	\$ 1,618,896	\$ 1,635,377	\$ (16,481)
Total administration of schools	<u>1,545,396</u>	<u>1,618,896</u>	<u>1,635,377</u>	<u>(16,481)</u>
Instruction costs:				
Compensation	30,920,856	30,804,711	30,330,853	473,858
Supplies	1,060,580	1,545,438	1,310,267	235,171
Equipment	717,325	440,299	273,639	166,660
Purchased services	1,587,004	1,821,198	1,575,002	246,196
Total instruction costs	<u>34,285,765</u>	<u>34,611,646</u>	<u>33,489,761</u>	<u>1,121,885</u>
Operating costs:				
Attendance and health services	728,712	759,629	764,853	(5,224)
Pupil transportation	1,043,224	1,134,224	1,141,369	(7,145)
Operation and maintenance of school plant	4,236,776	4,307,549	3,967,386	340,163
Total operating costs	<u>6,008,712</u>	<u>6,201,402</u>	<u>5,873,608</u>	<u>327,794</u>
Total education	<u>41,839,873</u>	<u>42,431,944</u>	<u>40,998,746</u>	<u>1,433,198</u>
Operating costs -				
Debt service	2,470,386	2,602,322	-	2,602,322
Miscellaneous costs -				
Rescinded revenue	-	19,798	-	19,798
Total School Operating Fund	<u>\$ 44,310,259</u>	<u>\$ 45,054,064</u>	<u>\$ 40,998,746</u>	<u>\$ 4,055,318</u>
<b>School Cafeteria Fund:</b>				
Education:				
School food services -				
Administration of school food program	2,140,608	2,262,608	2,062,387	200,221
Total education	<u>2,140,608</u>	<u>2,262,608</u>	<u>2,062,387</u>	<u>200,221</u>
Operations:				
Repair & replacement of equipment	556,904	442,404	355,681	86,723
Other	34,350	33,950	20,984	12,966
Total Operations & Maintenance	<u>591,254</u>	<u>476,354</u>	<u>376,665</u>	<u>99,689</u>
Capital project expenditures -				
Capital projects	75,423	68,323	63,428	4,895
Total capital projects	<u>75,423</u>	<u>68,323</u>	<u>63,428</u>	<u>4,895</u>
Total School Cafeteria Fund	<u>\$ 2,807,285</u>	<u>\$ 2,807,285</u>	<u>\$ 2,502,480</u>	<u>\$ 304,805</u>
<b>Textbook Fund:</b>				
Education -				
Instruction	650,000	650,000	448,775	201,225
Total education	<u>650,000</u>	<u>650,000</u>	<u>448,775</u>	<u>201,225</u>
Total School Textbook Fund	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ 448,775</u>	<u>\$ 201,225</u>
<b>Capital Projects Fund:</b>				
<b>Building and Bus Replacement Fund</b>				
Education:				
Capital project expenditures:				
Other project costs	-	151,000	140,665	10,335
Capital projects	575,000	1,642,425	1,137,818	504,607
Total capital projects	<u>575,000</u>	<u>1,793,425</u>	<u>1,278,483</u>	<u>514,942</u>
Total Building and Bus Replacement Fund	<u>\$ 575,000</u>	<u>\$ 1,793,425</u>	<u>\$ 1,278,483</u>	<u>\$ 514,942</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 48,342,544</u>	<u>\$ 50,304,774</u>	<u>\$ 45,228,484</u>	<u>\$ 5,076,290</u>

## **STATISTICAL SECTION**

## 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:

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

City of Hopewell, Virginia

Table 1

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Government activities:										
Net investment in capital assets	\$ (700,037)	\$ (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
Restricted	5,586,904	16,720,846	6,623,230	1,238,289	983,265	11,016,079	1,054,321	1,024,445	469,962	472,833
Unrestricted	20,887,012	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
<b>Total governmental activities net position</b>	<b>\$ 25,773,879</b>	<b>\$ 23,861,478</b>	<b>\$ 26,879,053</b>	<b>\$ 31,660,416</b>	<b>\$ 29,419,309</b>	<b>\$ 26,458,647</b>	<b>\$ 25,518,832</b>	<b>\$ 22,919,074</b>	<b>\$ 23,454,292</b>	<b>\$ 29,156,472</b>
Business-type activities:										
Net investment in capital assets	\$ 13,673,101	\$ 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
Restricted	1,167,481	1,167,481	395,641	395,641	395,641	395,641	395,641	395,641	502,351	-
Unrestricted	15,872,944	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
<b>Total business-type activities net position</b>	<b>\$ 30,713,526</b>	<b>\$ 23,977,290</b>	<b>\$ 23,230,895</b>	<b>\$ 22,987,697</b>	<b>\$ 22,185,400</b>	<b>\$ 20,209,847</b>	<b>\$ 22,051,417</b>	<b>\$ 24,456,901</b>	<b>\$ 29,599,970</b>	<b>\$ 31,540,419</b>
Primary Government:										
Net investment in capital assets	\$ 12,973,064	\$ 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
Restricted	6,754,385	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
Unrestricted	36,759,956	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
<b>Total Primary Government net position</b>	<b>\$ 56,487,405</b>	<b>\$ 47,838,768</b>	<b>\$ 50,109,948</b>	<b>\$ 54,648,113</b>	<b>\$ 51,604,709</b>	<b>\$ 46,668,494</b>	<b>\$ 47,570,249</b>	<b>\$ 47,375,975</b>	<b>\$ 53,054,262</b>	<b>\$ 60,696,891</b>

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

Expenses	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Government activities:										
General government	\$ 3,443,925	\$ 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
Judicial administration	1,495,967	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
Public safety	9,486,916	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
Public works	3,737,248	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
Health and welfare	5,194,978	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
Education	10,928,447	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
Parks, recreation and cultural	2,258,430	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
Community development	1,992,171	2,030,064	1,074,519	947,666	1,097,051	1,426,189	1,499,806	2,885,797	735,236	729,140
Interest on long-term debt	1,179,416	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
Total governmental activities expenses	\$ 39,717,498	\$ 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
Business-type activities:										
Public utilities	\$ 16,090,180	\$ 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
Total Primary Government expenses	\$ 55,807,678	\$ 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
Program Revenues										
Government activities:										
Charges for services:										
General government administration	\$ -	\$ -	\$ -	\$ -	\$ 201,555	\$ -	\$ 1,991	\$ 7,620	\$ 3,913	\$ 4,464
Judicial administration	61,411	198,943	99,974	82,948	200,543	362,032	26,273	31,532	35,492	37,325
Public Safety	408,843	224,206	439,608	549,021	293,746	454,764	414,833	463,133	580,930	534,761
Public Works	-	-	-	-	-	-	-	19	1	3
Parks, recreation and cultural	150,713	103,291	231,592	141,640	177,568	102,269	308,350	296,931	253,921	245,420
Community development	-	-	-	-	-	-	78,193	70,194	58,448	51,959
Operating grants and contributions	9,471,701	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
Capital grants and contributions	271,737	-	-	-	262,809	197,033	380,537	361,697	2,400,955	481,634
Total governmental activities program revenues	\$ 10,364,405	\$ 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
Business-type activities:										
Charges for services:										
Public utilities	\$ 12,937,022	\$ 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
Operating grants and contributions	1,170,323	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	\$ 14,107,345	\$ 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
Total Primary Government program revenues	\$ 24,471,750	\$ 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
Net (expense) / revenue										
Governmental activities	\$ (29,353,093)	\$ (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)
Business-type activities	(1,982,835)	(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
Total Primary Government net expense	\$ (31,335,928)	\$ (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)

City of Hopewell, Virginia

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Revenues and other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 16,361,811	\$ 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
Local sales and use taxes	1,623,689	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
Consumer utility taxes	1,406,368	1,138,794	1,141,121	914,129	665,210	349,751	350,230	376,118	347,966	355,950
Business licenses taxes	1,317,942	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
Other local taxes	6,778,505	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
Unrestricted grants and contributions	1,656,911	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
Unrestricted revenues from use of money and property	383,429	992,484	1,736,958	2,033,562	1,768,070	593,272	127,687	154,399	98,440	110,552
Gain on disposal of capital assets	-	-	-	-	1,000,000	-	-	-	-	-
Interest rate subsidy	-	-	-	-	-	-	-	363,750	-	-
Miscellaneous	890,576	147,042	550,795	266,383	266,593	167,241	1,281,867	1,142,241	1,927,346	1,736,852
Transfers	205,117	275,000	-	-	-	-	-	-	-	(66,495)
<b>Total governmental activities</b>	<b>\$ 30,624,348</b>	<b>\$ 32,390,972</b>	<b>\$ 33,093,187</b>	<b>\$ 35,195,287</b>	<b>\$ 33,576,144</b>	<b>\$ 33,829,417</b>	<b>\$ 37,452,685</b>	<b>\$ 37,225,004</b>	<b>\$ 38,665,651</b>	<b>\$ 39,289,246</b>
Business-type activities:										
Transfers	\$ (205,117)	\$ (275,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,495
Miscellaneous	-	-	-	-	-	-	-	-	-	216,311
Unrestricted revenues from use of money and property	101,860	339,166	798,307	951,842	843,518	404,584	36,210	134,000	460,967	303,374
<b>Total business-type activities</b>	<b>\$ (103,257)</b>	<b>\$ 64,166</b>	<b>\$ 798,307</b>	<b>\$ 951,842</b>	<b>\$ 843,518</b>	<b>\$ 404,584</b>	<b>\$ 36,210</b>	<b>\$ 134,000</b>	<b>\$ 460,967</b>	<b>\$ 586,180</b>
<b>Total Primary Government</b>	<b>\$ 30,521,091</b>	<b>\$ 32,455,138</b>	<b>\$ 33,891,494</b>	<b>\$ 36,147,129</b>	<b>\$ 34,419,662</b>	<b>\$ 34,234,001</b>	<b>\$ 37,488,895</b>	<b>\$ 37,359,004</b>	<b>\$ 39,126,618</b>	<b>\$ 39,875,426</b>
Special item- loss on capital contributed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,160,000)
<b>Change in Net Position</b>										
Governmental activities	\$ (1,620,118)	\$ 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
Business-type activities	\$ (1,680,770)	\$ (1,918,669)	\$ (17,869)	\$ (592,860)	\$ (802,297)	\$ (1,975,553)	\$ 1,239,930	\$ 2,405,484	\$ 5,143,068	\$ 1,940,449
<b>Total Primary Government</b>	<b>\$ (3,300,888)</b>	<b>\$ 1,119,210</b>	<b>\$ 1,754,834</b>	<b>\$ 4,526,815</b>	<b>\$ (2,348,504)</b>	<b>\$ (4,936,215)</b>	<b>\$ 300,115</b>	<b>\$ (194,274)</b>	<b>\$ 5,678,286</b>	<b>\$ 4,739,230</b>

City of Hopewell, Virginia

Table 3

Fund Balances of Governmental Funds

Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund:										
Reserved	\$ 1,483,892	\$ 1,272,858	\$ 1,486,858	\$ 2,145,977	\$ 1,305,385	\$ 1,085,023	\$ 1,146,496			
Unreserved	<u>7,777,384</u>	<u>8,604,101</u>	<u>10,815,318</u>	<u>10,681,284</u>	<u>10,508,586</u>	<u>9,484,371</u>	<u>10,168,180</u>			
Total General Fund	<u>\$ 9,261,276</u>	<u>\$ 9,876,959</u>	<u>\$ 12,302,176</u>	<u>\$ 12,827,261</u>	<u>\$ 11,813,971</u>	<u>\$ 10,569,394</u>	<u>\$ 11,314,676</u>			
All other governmental funds:										
Reserved	\$ 4,167,174	\$ 15,503,841	\$ 15,440,761	\$ 3,553,176	\$ 1,116,638	\$ 55,109	\$ 35,436			
Unreserved, reported in:										
Special Revenue Funds	1,090,129	503,031	405,094	221,901	228,810	157,004	346,795			
Capital Projects Funds	<u>10,400,891</u>	<u>18,250,454</u>	<u>12,850,203</u>	<u>15,342,304</u>	<u>12,321,255</u>	<u>20,995,610</u>	<u>22,131,546</u>			
Total all other Governmental funds	<u>\$ 15,658,194</u>	<u>\$ 34,257,326</u>	<u>\$ 28,696,058</u>	<u>\$ 19,117,381</u>	<u>\$ 13,666,703</u>	<u>\$ 21,207,723</u>	<u>\$ 22,513,777</u>			
General Fund:										
Nonspendable								\$ 352,873	\$ 484,090	\$ 507,710
Assigned								7,433,145	7,185,036	7,185,036
Unassigned								<u>4,355,131</u>	<u>4,084,446</u>	<u>6,110,082</u>
Total General Fund								<u>\$ 12,141,149</u>	<u>\$ 11,753,572</u>	<u>\$ 13,802,828</u>
All other Governmental funds:										
Restricted								\$ 10,098,751	\$ 5,789,508	\$ 5,789,508
Assigned								14,338,352	8,694,433	7,758,080
Unassigned								<u>(248)</u>	<u>(247)</u>	<u>-</u>
Total all other Governmental funds								<u>\$ 24,436,855</u>	<u>\$ 26,237,266</u>	<u>\$ 27,350,416</u>

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Revenues</b>										
General property taxes	\$ 20,092,804	\$ 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
Other local taxes	6,778,505	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
Permits, privilege fees/regulatory licenses	82,108	93,462	179,406	204,618	206,454	135,509	352,348	31,956	41,144	42,889
Fines and Forfeitures	61,411	79,376	74,318	69,921	155,217	282,130	714,594	1,288,030	1,866,202	1,544,560
Revenue from use of money and property	383,429	992,484	1,736,958	2,033,562	1,407,833	593,272	349,168	369,081	293,153	275,553
Charges for services	477,448	353,602	517,450	499,070	511,741	501,426	536,670	587,937	680,400	662,134
Miscellaneous	890,576	143,552	549,450	271,236	266,593	167,241	471,399	227,644	1,148,605	2,323,369
Recovered costs	-	-	996,392	824,000	823,000	872,000	872,000	884,500	884,500	884,500
Intergovernmental	11,400,349	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
<b>Total revenues</b>	<b>\$ 40,166,630</b>	<b>\$ 40,960,428</b>	<b>\$ 44,988,510</b>	<b>\$ 45,395,511</b>	<b>\$ 46,343,270</b>	<b>\$ 46,025,680</b>	<b>\$ 50,955,585</b>	<b>\$ 48,187,618</b>	<b>\$ 51,323,718</b>	<b>\$ 53,392,709</b>
<b>Expenditures</b>										
General government administration	\$ 2,666,849	\$ 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
Judicial administration	1,291,736	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
Public safety	9,406,283	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
Public works	3,428,681	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
Health and welfare	4,990,898	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
Education	9,548,805	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
Parks, recreation and cultural	1,972,933	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
Community development	1,113,053	1,308,672	1,164,345	978,544	1,078,552	1,003,857	1,040,742	793,509	657,839	718,234
Nondepartmental	1,275,270	864,169	746,960	903,500	968,612	864,074	1,025,073	5,075,563	4,866,933	5,153,440
Capital projects	1,252,346	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
Debt service:										
Principle	2,119,642	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
Interest	1,192,075	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
<b>Total expenditures</b>	<b>\$ 40,258,571</b>	<b>\$ 42,669,324</b>	<b>\$ 49,533,032</b>	<b>\$ 54,449,103</b>	<b>\$ 51,322,938</b>	<b>\$ 50,061,577</b>	<b>\$ 51,706,020</b>	<b>\$ 63,597,037</b>	<b>\$ 61,664,456</b>	<b>\$ 52,213,064</b>
<b>Excess of revenues over (under) expenditures</b>	<b>\$ (91,941)</b>	<b>\$ (1,708,896)</b>	<b>\$ (4,544,522)</b>	<b>\$ (9,053,592)</b>	<b>\$ (4,979,668)</b>	<b>\$ (4,035,897)</b>	<b>\$ (750,435)</b>	<b>\$ (15,409,419)</b>	<b>\$ (10,340,738)</b>	<b>\$ 1,179,645</b>
<b>Other financing sources (uses)</b>										
Transfer in	\$ 3,808,160	\$ 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
Transfer out	(3,603,043)	(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)
Refunding bonds issued	-	-	-	-	18,210,000	2,155,000	-	-	-	-
Bonds issued	-	20,000,000	858,896	-	-	10,000,000	-	17,715,000	-	-
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	-	-	-	-	-
<b>Total other financing sources (uses), net</b>	<b>\$ 205,117</b>	<b>\$ 20,923,711</b>	<b>\$ 858,896</b>	<b>\$ -</b>	<b>\$ (790,000)</b>	<b>\$ 10,332,340</b>	<b>\$ 2,801,771</b>	<b>\$ 18,158,970</b>	<b>\$ -</b>	<b>\$ (66,495)</b>
<b>Net change in fund balances</b>	<b>\$ 113,176</b>	<b>\$ 19,214,815</b>	<b>\$ (3,685,626)</b>	<b>\$ (9,053,592)</b>	<b>\$ (5,769,668)</b>	<b>\$ 6,296,443</b>	<b>\$ 2,051,336</b>	<b>\$ 2,749,551</b>	<b>\$ (10,340,738)</b>	<b>\$ 1,113,150</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>8.26%</b>	<b>10.35%</b>	<b>13.06%</b>	<b>9.60%</b>	<b>11.10%</b>	<b>10.61%</b>	<b>6.29%</b>	<b>11.77%</b>	<b>7.66%</b>	<b>11.13%</b>

**Table 5**

**City of Hopewell, Virginia**

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

<u>Fiscal Year</u>	<u>Real Property Direct Tax Rate</u>	<u>Real Estate (1)</u>	<u>Personal Property Direct Tax Rate</u>	<u>Personal Property</u>	<u>M &amp; T Property Direct Tax Rate</u>	<u>Machinery and Tools</u>	<u>Public Service</u>	<u>Total Direct Rate</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
2013	\$1.08	\$1,500,249,500	\$3.50	\$108,045,354	3	\$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%
2004	1.20	849,244,667	3.05	126,941,705	3.05	117,124,590	399,712,852	1.50	1,493,023,814	1,407,747,444	106.06%

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

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

**Table 6**

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

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property(2)</u>	<u>Machinery and Tools</u>	<u>Public Utility</u>		<u>Total Direct Rate(3)</u>
				<u>Real Estate</u>	<u>Personal Property</u>	
2004	\$1.20	\$3.05	\$3.05	\$1.20	\$3.05	\$1.50
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

(1) Per \$100 of assessed value.

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

(3) Weighted average for tax levy.

The City of Hopewell has no overlapping taxes.

Table 7

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

<u>Taxpayer</u>	<u>Fiscal Year 2013</u>		<u>Fiscal Year 2004</u>	
	<u>2013 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>2004 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
Allied Signal Corporation/Honeywell	\$123,384,859	6.4%	\$102,458,294	6.5%
Hopewell Cogentric Limited Partnership	103,807,067	5.3%	129,096,981	8.2%
Dominion Virginia Power	95,297,228	4.9%	47,093,599	3.0%
Stone Container Inc.	79,252,644	4.1%	37,536,434	2.4%
Columbia HCA/John Randolph Hospital	75,041,710	3.9%	24,779,600	1.6%
Ashland, Inc.	54,105,236	2.8%	33,036,900	2.1%
Virginia American Water Company	47,173,385	2.4%	20,834,077	1.3%
James River Cogeneration Company	37,433,573	1.9%	47,932,822	3.0%
Verizon Virginia Inc	<u>\$ 6,820,390</u>	<u>0.4%</u>	<u>\$ 11,969,665</u>	<u>0.8%</u>
	<u>\$ 622,316,092</u>	<u>32.1%</u>	<u>\$ 454,738,372</u>	<u>28.7%</u>

Source: Municipal Tax Assessor

Table 8

## City of Hopewell, Virginia

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	25,910,451	25,275,937	97.55%	0	25,275,937	97.55%
2012	25,502,328	24,389,663	95.64%	1,081,465	25,471,128	99.88%
2011	25,806,316	24,573,947	95.22%	1,106,520	25,680,467	99.51%
2010	25,365,543	24,277,032	95.71%	863,824	25,140,856	99.11%
2009	25,394,983	21,359,404	84.11%	2,961,723	24,321,127	95.77%
2008	23,544,869	21,035,463	89.34%	2,238,927	23,274,390	98.85%
2007	23,967,262	21,167,844	88.32%	2,501,172	23,669,016	98.76%
2006	23,704,873	21,430,559	90.41%	2,036,432	23,466,991	99.00%
2005	24,705,828	18,391,177	74.44%	3,548,823	21,940,000	88.80%
2004	24,705,740	20,727,116	83.90%	2,506,669	23,233,785	94.04%

Source: Municipal Tax Assessor

City of Hopewell, Virginia

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/Bonds	General Obligation Bond Premium	Capital Leases	Revenue Bonds	Revenue Bond Premium	Capital Leases			
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
2004	18,557,831	9,883,000	1,100,000	-	-	13,665,000	-	-	43,205,831	7.98%	1,933

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)
2013	\$ 55,340,021	\$ -	\$ 55,340,021	3.69%	\$ 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
2004	28,440,831	4,500,000	23,940,831	1.60%	1,071

(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.

City of Hopewell, Virginia

Legal Debt Margin Information  
Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 84,924,467	\$ 92,660,208	\$ 92,919,480	\$ 112,210,800	\$114,528,366	\$ 133,839,710	\$ 135,714,300	\$ 135,931,270	\$ 133,076,838	\$ 150,024,950
Total net debt applicable to limit	28,440,831	46,571,480	44,973,595	42,463,937	37,901,111	45,453,940	45,982,550	59,577,629	57,869,221	55,340,021
Legal debt margin	<u>\$ 56,483,636</u>	<u>\$ 46,088,728</u>	<u>\$ 47,945,885</u>	<u>\$ 69,746,863</u>	<u>\$ 76,627,255</u>	<u>\$ 88,385,770</u>	<u>\$ 89,731,750</u>	<u>\$ 76,353,641</u>	<u>\$ 75,474,555</u>	<u>\$ 94,684,929</u>
Total net debt applicable to the limit as a percentage of debt limit	33.49%	50.26%	48.40%	37.84%	33.09%	33.96%	33.88%	43.83%	43.49%	36.89%

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 2013

Assessed value	\$1,500,249,500
Add back: exempt real property	-
Total assessed value	<u>1,500,249,500</u>
Debt limit (10% of total assessed value) (a)	150,024,950
Net debt applicable to limit	<u>55,340,021</u>
Legal debt margin	<u>\$ 94,684,929</u>

Table 12

## City of Hopewell, Virginia

Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (a)</u>	<u>Personal Income (b)</u>	<u>Per Capita Personal Income (c)</u>	<u>Unemployment Rate(d)</u>
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%
2004	22,354	541,659,774	24,231	6.80%

Source:

- (a) Population information provided by the U.S. Census Bureau.
- (b) Personal income estimated based upon the municipal population and per capita income presented.
- (c) Per capita personal income by municipality estimated based upon the 2000 census published by the U.S. Bureau of Economic Analysis.
- (d) Unemployment data provided by the Virginia Employment Commission.

**Table 13**

**City of Hopewell, Virginia**

Principal Employers  
 Current Year and Period Nine Years Prior

Employer	Fiscal Year 2013		Fiscal Year 2004		% of Total City Employment
	Employees	Rank	Employees	Rank	
City of Hopewell School System	600-999	1	n/a	n/a	0.00%
Allied Signal Corporation/Honeywell	600-999	2	n/a	n/a	0.00%
Columbia HCA/John Randolph Hospital	600-999	3	n/a	n/a	0.00%
E.I. DuPont De Nemours Company	300-599	4	n/a	n/a	0.00%
City of Hopewell	250-499	5	n/a	n/a	0.00%
Alliance Group Rock Tenn	100-299	6	n/a	n/a	0.00%
Goldsmith Chemical Corporation	100-299	7	n/a	n/a	0.00%
Aqualon Company	100-299	8	n/a	n/a	0.00%
Hopewell Opeartions LLC	100-299	9	n/a	n/a	0.00%
Shaw Services LLC	100-299	10	n/a	n/a	0.00%

Source: Virginia Employment Commission

n/a - Information not currently available

Table 14

## City of Hopewell, Virginia

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

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government:										
City Clerk	1	1	1	1	1	1	1	1	2	1
City Attorney	2	2	2	2	2	2	2	2	2	2
City Manager	7	7	7	3	6	6	6	6	6	7
Finance department	14	14	14	18	15	15	15	15	15	14
City treasurer	6	6	6	6	5	5	5	5	5	5
Commissioner of revenue	6	6	6	6	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	6	5	5	5	5	5	5
Commonwealth Attorney	6	7	7	7	9	9	7	7	7	6
Court services	4	3	4	4	4	2	2	2	2	3
General district court									1	1
Public safety:										
Sheriff department	9	9	9	9	9	9	9	9	10	10
Fire & rescue	38	41	43	43	43	43	46	46	46	45
Building inspections	4	5	5	7	7	7	6	6	6	6
Police department	73	73	73	73	73	73	76	76	78	81
Animal control	3	3	3	3	3	3	1	1	1	1
Emergency services	1	1	1	1	1	1	1	1	1	1
Public Works:										
General maintenance	39	39	39	39	36	36	34	34	34	34
Landfill	2	2	2	2	2	2	2	2	2	2
Engineering	4	4	4	4	4	4	3	3	3	3
Sewer services	67	63	63	63	63	64	60	60	60	61
Health & welfare:										
Department of Social Services	40	41	41	41	41	41	40	40	40	40
Community Services Act	2	2	1	1	1	1	1	1	1	1
Culture and recreation:										
Parks and recreation	16	17	17	17	17	17	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	1	2	2	2	2	2	1	1	1	1
Totals	357	360	362	364	362	361	351	351	356	358

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	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Police department:										
E911 calls answered	19,354	17,733	-	22,906	22,381	19,764	14,101	17,075	17,329	24,655
Animal calls answered	2,116	1,539	1,805	1,847	1,912	1,361	1,856	2,757	3,028	2,818
Physical arrests	1,334	1,733	1,154	1,362		1,048	1,412	1,753	1,388	1,029
Civil papers										
Fire and rescue:										
Fire calls	1,394	1,104	1,117	1,225	1,232	1,164	3,130	3,430	3,687	3,218
EMS calls	2,285	1,517	1,623	1,993	2,046	1,944	3,557	3,505	3,615	3,558
Building inspections:										
Permits issued (all)	1,233	1,277	1,270	1,535	1,482	2,568	1,783	855	957	932
Inspections done (all)	1,152	1,266	915	1,264	1,174	2,895	4,607	482	2,560	2,397
Public works										
General maintenance:										
Work orders issued	-	-	-	-	2,720	2,002	1,898	1,429	n/a	2,502
Health and welfare										
Department of Social Services:										
Caseload*	6,835	8,425	8,336	8,600	8,436	9,087	10,378	10,707	10,911	11,338
Culture and recreation										
Parks and recreation:										
Community center visits	37,564	40,672	44,099	43,369	55,066	55,046	45,253	57,556	55,565	72,734
Summer program participants	120	597	452	421	425	320	1,058	1,303	n/a	227
Youth sports participants	-	-	-	-	4,039	4,627	5,314	4,461	n/a	4,187
Community development										
Planning:										
Zoning permits issued	743	884	989	1,142	1,346	1,376	496	218	291	480

Source: Individual city department workload counts.

\* Average total case count.

n/a - not available

Table 16

## City of Hopewell, Virginia

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Administration buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	4	4	4	6	6	6	6	6	6	6
Public Works										
Vehicles	-	-	-	43	43	43	43	43	43	46
Public safety										
Police department:										
Vehicles	-	-	-	61	60	60	60	60	60	60
Sheriff department:										
Vehicles	-	-	-	11	13	14	14	14	14	16
Fire department:										
Fire stations	2	2	2	2	2	2	2	2	2	2
Fire trucks	6	6	6	6	6	6	6	6	6	5
Other vehicles	7	8	8	8	8	8	8	8	8	8
Building inspectors:										
Vehicles	6	6	7	7	7	7	7	7	7	9
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	11	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

**COMPLIANCE SECTION**

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

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopewell, Virginia (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 17, 2014. Our report included an emphasis paragraph indicating that the governmental activities net position as of June 30, 2012 has been restated. That report recognizes that the City implemented two new accounting standards effective July 1, 2012.

**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 *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 2013-1 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 2013-4.

**City of Hopewell, Virginia Response to Finding**

The City's response to the findings 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 the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

A handwritten signature in blue ink that reads "Cheryl Behrnt CP".

Richmond, Virginia  
February 17, 2014

## **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, 2013. 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, 2013.

### **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 2013-3. 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

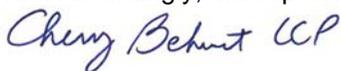
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-2 and 2013-3 to be material weaknesses.

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

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



Richmond, Virginia  
February 17, 2014

**City of Hopewell, Virginia**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
<b><u>Department of Agriculture</u></b>		
<u>Pass Through Payments:</u>		
Department of Education		
National school breakfast program	10.553	\$ 551,509
National school lunch program	10.555	1,299,869
Summer food service program for children	10.559	13,348
Cluster Total		1,864,726
Department of Social Services		
State Admin Matching Grants for Supplemental Nutrition Assistance Programs	10.561	481,251
Total Department of Agriculture		2,345,977
<b><u>Department of Defense</u></b>		
<u>Direct Payment</u>		
JROTC	12.000	63,198
Total Department of Defense		63,198
<b><u>Department of Housing and Urban Development</u></b>		
<u>Direct Payments:</u>		
Community Development Block Grant- State Programs	14.228	174,042
Total Department of Housing and Urban Development		174,042
<b><u>Department of Justice</u></b>		
<u>Pass Through Payments:</u>		
Bulletproof Vest Partnership Program	16.607	840
Victim Witness	16.575	74,078
Public Safety Partnership and Community Policing Grant	16.710	214,787
Edward Byrne Memorial Justice Assistance Program	16.738	61,291
Total Department of Justice		350,996
<b><u>Department of Transportation</u></b>		
<u>Pass Through Payments:</u>		
<u>Department of Motor Vehicles</u>		
Alcohol Impaired Driving Countermeasures Incentives Grants I	20.601	8,478
Alcohol Open Container Requirements	20.607	24,797
Total Department of Transportation		33,275
<b><u>Department of Energy</u></b>		
<u>Pass Through Payment:</u>		
Energy Efficiency and Conservation Block Grant	81.086	150,969
Total Department of Energy		150,969

**City of Hopewell, Virginia**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

	<u>Federal Catalogue Number</u>	<u>Expenditures</u>
<b><u>Department of Education</u></b>		
<u>Direct Payments:</u>		
Impact Aid	84.041	38,923
<u>Pass Through Payments:</u>		
Title I cluster		
Title I: Grants to local educational agencies	84.010	1,712,328
Special Education cluster:		
Special Education grants to states	84.027	930,510
Preschool Handicapped	84.173	22,714
Cluster Total		<u>953,224</u>
Career and Technical Education: National Programs	84.048	102,753
Gaining Early awareness and readiness for undergraduate programs	84.334	5,000
English Language Acquisition Grants (Title III)	84.365	26,256
Improving Teacher Quality State (Title II A)	84.367	286,955
School Improvement Grant	84.377	481,515
		<u>481,515</u>
Total Department of Education		<u>3,606,954</u>
<b><u>Department of Health and Human Services</u></b>		
<u>Direct Payments:</u>		
Administration for Children, Youth and Families (Head Start and Day Care Grant)	93.600	1,330,314
<u>Pass Through Payments:</u>		
Promoting Safe and Stable Families	93.556	599
Temporary Assistance for Needy Families	93.558	419,433
Refugee and Entrant Assistance - State Administered Programs	93.566	1,361
Low Income Home Energy Assistance	93.568	37,268
Child Care Mandatory & Matching Funds of the Child Care & Development Fund	93.596	56,974
Chafee Education and Training Vouchers Program	93.599	1,199
Child Welfare Services - State Grants	93.645	1,967
Foster Care - Title IV-E	93.658	264,254
Adoption Assistance	93.659	152,151
Social Services Block Grant	93.667	231,962
Chafee Foster Care Independence Program	93.674	5,899
State Children's Insurance Program	93.767	11,430
Medical Assistance Program	93.778	397,849
		<u>397,849</u>
Total Department Health and Human Services		<u>2,912,660</u>

**City of Hopewell, Virginia**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

	<b>Federal Catalog Number</b>	<b>Expenditures</b>
<b><u>Department of Homeland Security</u></b>		
<u>Pass Through Payments:</u>		
<u>Department of Emergency Services</u>		
Urban Areas Security Initiative	97.008	\$ 41,006
Emergency Management Performance Grants	97.042	81,016
Assistance to Firefighters Grant	97.044	30,436
Emergency Center Operations Grant	97.052	250,000
State Homeland Security Program	97.073	16,349
Total Department of Homeland Security		418,807
Total federal expenditures		\$ 10,056,878

**Note 1 - General**

The accompanying Schedule of Expenditures of Federal Awards presents 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 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 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 (\$94,351) was calculated using the U.S. Department of Agriculture's Food and Nutrition Service commodity price lists.

**CITY OF HOPEWELL**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

**Summary of Auditors' 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 2013-1**
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, findings 2013-2 and 2013-3**
7. The type of report issued on compliance for major programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes**
9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
10.561	Supplemental Nutrition Assistance Program
84.010	Title I Cluster
93.778	Medicaid Cluster
93.558	Temporary Assistance for Needy Families
97.052	Emergency Center Operations

10. Dollar threshold used to distinguish between type A and type B programs: \$304,537
11. City of Hopewell is not a low risk auditee.

## CITY OF HOPEWELL

### Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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

##### ***2013-1 – 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 presentation of the City's financial statements and to ensure accountability to the citizens of the City.

###### **Condition:**

During our audit fieldwork, adjustments to the City's books and records in the following areas were needed to fairly present the basic financial statements in accordance with GAAP:

- Capital asset transactions related to infrastructure assets approximating \$3,000,000 for 2013 and \$2,900,000 for prior years
- Accounts payable liabilities approximating \$24,000
- Federal revenues approximating \$250,000
- Incorporating within the City's Reporting Entity of a blended component unit (Beacon Theater Fund)
- Numerous entries to properly reflect City activities in accordance with GAAP (e.g., balancing inter-entity transactions, recording recurring yearly balances, to reflect the City's investments at market value)

###### **Cause:**

Existing internal controls and review procedures did not ensure the accuracy and completeness of the amounts recorded.

###### **Effect:**

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.

###### **Recommendation:**

The City needs to strengthen its internal controls around the financial accounting and reporting process.

###### **View of Responsible Officials:**

The Director of Finance worked with the auditors to record \$5,900,000 in sub-division streets (infrastructure assets) accepted by the City from Developers. The Director will work closer with staff to assure federal revenues are properly accrued at the end of the fiscal year. Additionally, the Director will work to reduce the number of entries after created after the start of fieldwork.

**CITY OF HOPEWELL**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

**C. Findings and Questioned Costs Relating to Federal Awards:**

***2013-2 – Material Weakness – Federal Reporting***

**Criteria:**

All federal grant funding should be recorded in the City’s financial records and reported on the Schedule of Expenditures of Federal Awards (“SEFA”). Federal grant funding should reconcile between the fund statements and the SEFA.

**Condition:**

During our review of City Council minutes, we noted one grant that was received during the year that was not recorded on the City’s books and, therefore, not in the SEFA.

**Cause:**

City internal controls did not identify the receipt of this grant for SEFA reporting purposes.

**Effect:**

Inaccurate reporting of federal revenues can negatively impact the completeness and accuracy required by the Single Audit Act and the City’s compliance therewith.

**Recommendation:**

We recommend that the City perform a reconciliation of federal revenues to the SEFA to ensure all grants are properly reported.

**View of Responsible Officials:**

The Director of Finance worked closely with staff over the past year to produce the SEFA. Although, we did not include one grant the overall progress for report grant on the SEFA has improved. The Director of Finance will incorporate a reconciliation process used by the auditor for future SEFA’s.

***2013-3 – Material Weakness – 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 – 2013)**

**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 one of the 40 participants tested, the required eligibility redetermination was not performed within 12 months of the previous determination.

## CITY OF HOPEWELL

### Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

**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:**

A corrective action plan will be developed to provide staff with instructions, as well as implementing policies, for conducting redeterminations of eligibility every 12 months. The anticipated completion date is June 30, 2014.

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

**2013-4 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:**

One School Board member was 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:**

Management agrees with the comment and will work with the City Clerk, elected officials and appointed board members to ensure that the forms are fully completed in a timely fashion going forward.

**CITY OF HOPEWELL**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

**Status of Prior Year Findings:**

**2012-01 – SEFA –** Finding repeated as finding 2013-2.

**2012-02 – 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 improvement efficiencies in grant management and reporting.

**2012-03 – Equipment and Real Property Management -** The Director of Finance has worked with the Grant Managers to assure grant reports were filed timely. The Director of Finance plans to work with the Grant Manager to create a formalize communication process.