

***Martinsville, Virginia***  
**A CITY WITHOUT LIMITS**



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

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**FOR THE YEAR ENDED JUNE 30, 2020**



**CITY OF MARTINSVILLE, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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**PREPARED BY:**

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Finance Department



**CITY OF MARTINSVILLE, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**CITY OF MARTINSVILLE, VIRGINIA**

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**City Council**

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Kathy Lawson, Mayor  
Chad Martin, Vice-Mayor

James Woods

Danny Turner

Jennifer Bowles

**School Board**

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Donna Dillard, Chairperson  
Yvonne Givens, Vice-Chairperson

Dominique Hylton

Emily Parker

Tonya Jones

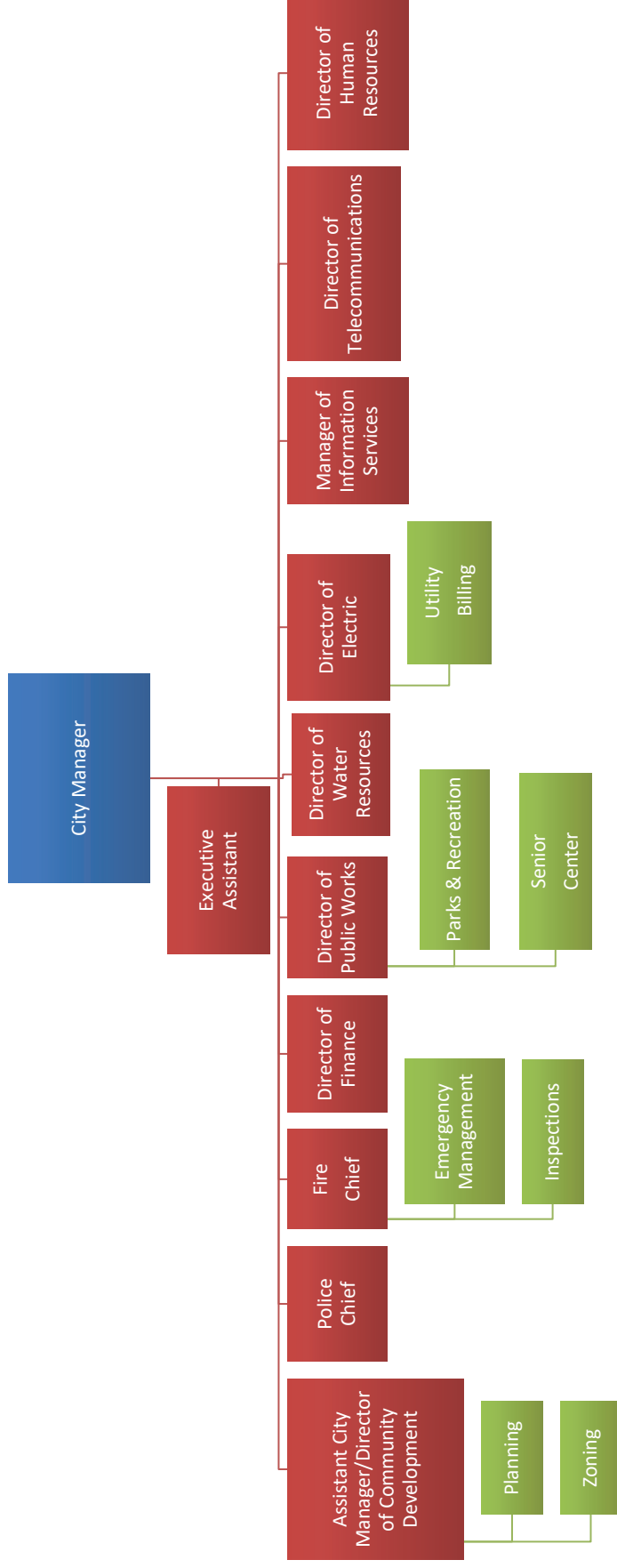
**Other Officials**

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|                                   |                    |
|-----------------------------------|--------------------|
| City Manager .....                | Leon E. Towarnicki |
| Clerk of the Circuit Court .....  | Ashby R. Pritchett |
| City Attorney/Asst. City Mgr..... | Eric H. Monday     |
| Commissioner of the Revenue ..... | Ruth Easley        |
| Treasurer .....                   | Cindy Dickerson    |
| Police Chief.....                 | Eddie Cassady      |
| Superintendent of Schools.....    | Zebadee Talley     |
| Clerk of the School Board.....    | Janie Fulcher      |
| Director of Finance .....         | Linda H. Conover   |
| Sheriff.....                      | Steve M. Draper    |
| Commonwealth's Attorney .....     | Glen A. Hall       |
| Public Works Director .....       | Vacant             |
| Electric Director .....           | Durwin Joyce       |
| Purchasing Manager.....           | Zachary Morris     |
| Fire Chief .....                  | Ted Anderson       |
| Water Resources .....             | Mike Kahle         |



# City of Martinsville Organizational Chart





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**Independent Auditors' Report**

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**To The Honorable Members of  
City Council  
City of Martinsville, Virginia**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of and for the year ended June 30, 2020, 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.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia, as of June 30, 2020, 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.

## ***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 information, and schedules related to pension and OPEB funding on pages 15-26, 117, and 118-129 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Martinsville, Virginia'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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

***Other Matters: (Continued)***

***Supplementary and Other Information: (Continued)***

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 November 24, 2020, on our consideration of the City of Martinsville, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Martinsville, Virginia's 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 of Martinsville, Virginia's internal control over financial reporting and compliance.

*Robinson, Farnum, & Co. Associates*

Charlottesville, Virginia  
November 24, 2020

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### **To the Honorable Members of the City Council To the Citizens of the City of Martinsville**

The management of the City of Martinsville, Virginia, presents this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020. We encourage you to read this discussion and analysis in conjunction with the accompanying management letter on internal controls, the basic financial statements and the notes to the financial statements.

### **Financial Highlights**

#### **Government-wide Financial Statements**

- In 2020, the City restated beginning balances to reclassify landfill remediation/post-closure care costs incurred in the prior year from capital assets to reduce the landfill post-closure cost liability in the Refuse Collection/Landfill Fund. The reclassification did not result in any adjustment to beginning net position. The restated amounts are utilized for purposes of discussion and analysis herein.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$34,217,708 (total net position).
- The Governmental activities net position was \$940,919 of the City's total, a decrease of \$663,885 from net position of \$1,604,804 at June 30, 2019.
- Net position of the City's various business-type activities totaled \$33,276,789. This is an increase of \$2,050,690 or 6.16% compared to net position of \$31,226,099 at June 30, 2019.

#### **Fund Financial Statements**

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses by \$1,705,383 (Exhibit 4) after making direct contributions totaling \$5,137,207 to the School Board. Additionally, \$1,368,467 was expended from the Meals Tax Fund to retire School related debt. A total of \$6,505,674 was expended on School activities from Governmental Funds.

- At the close of the current fiscal year, the City's Governmental funds reported ending fund balances of \$8,552,741, which is an increase of \$1,705,383 in comparison with the prior fiscal year.
- At the close of the current fiscal year, the unassigned fund balance for the General Fund was \$4,938,739 or 15.10% of total general fund expenditures.
- The combined long-term Governmental activities obligations increase by \$4,023,068 or approximately 13.17% during the current fiscal year. This is primarily due to an increase in the actuarially determined net pension liability.

## **Overview of the Financial Statements**

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements.

These financial statements are comprised of three (3) components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to the financial statements.

This report also contains other information to supplement the basic financial statements.

**Government-wide financial statements** - The Government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

Government-wide financial reporting consists of two statements: (1) The Statement of Net Position and (2) The Statement of Activities.

The Statement of Net position (exhibit one) presents information on all of the City's assets and liabilities. The difference between assets and liabilities is reported as net position. Net position is presented in three categories: net investment in capital assets, restricted and unrestricted. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (exhibit two) presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items which result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave).

The Statement of Net position and The Statement of Activities are both divided into three types of activities:

1. Governmental Activities – Most of the City's basic services are reported in this column to include: Police, Fire, Courts, Recreation, Social Services, Economic Development, Community Development, Telecommunications, Capital Projects, and General Administration. Governmental Activities are supported primarily by taxes, state and federal grants, and transfers from the City's Enterprise funds (Electric, Water, Sewer, and Refuse).
2. Business-Type Activities – The City has four business-type activities: Electric, Water, Sewer, and Refuse. The City recovers all or a significant portion of the costs associated with providing these services through user fees and charges to the customers receiving these services.
3. Component Unit – The City has one component unit, the Martinsville Public Schools. While the School System is a legally separate entity, the City of Martinsville is financially accountable for the School System. Financial information for the component unit is reported separately from the financial information presented for the primary government.

## **Overview of the Financial Statements (Continued)**

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of these funds can be placed in either of three (3) categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** – A *governmental fund* is used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. However, government-wide financial statements are prepared on the accrual basis of accounting while governmental fund financial statements are prepared on the modified accrual basis of accounting. Thus, governmental fund financial statements focus on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Such information is useful in evaluating the City's ability to satisfy near-term financing requirements. Since the focus of governmental funds is narrower than that of government-wide financial statements, a reconciliation between the two methods used is provided at the bottom of the governmental fund balance sheet (exhibit 3) and the governmental fund statement of revenues, expenditures and changes in fund balances (exhibit 5). By comparing the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements readers may better understand the long-term impact of the City's near-term financing decisions.

The City has two major governmental funds - the General Fund and the Meals Tax Fund. The City has three funds considered nonmajor funds. These are the Community Development Block Grant Fund (CDBG), the Capital Reserve Fund, and the CARES Fund. For reporting purposes, the CDBG Fund is called the City Grants Fund and is combined with the CARES Fund to comprise the Special Revenue Funds. The Capital Reserve Fund is the City's Capital Projects Fund. Together the Special Revenue Funds and the Capital Projects Funds comprise the City's Nonmajor Governmental Funds. Information on these funds is contained in Exhibits 24, 25, and 26. This data is then combined in a single column for the governmental fund balance sheet (exhibit 3) and the governmental fund statement of revenues, expenditures, changes in fund balances (exhibit 4).

**Proprietary funds** – *Proprietary funds* consist of enterprise funds which are established to account for the delivery of goods and services to the public. These funds use the accrual basis of accounting, similar to private businesses.

Enterprise funds are used to report the same functions as the business-type activities in the government-wide financial statements. Electric, Water, Sewer and Refuse/Landfill funds are presented on the statements individually as major funds (exhibits 6-8). Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business. The intent of the governing body is to finance these services primarily through user charges and fees.

**Notes to the financial statements** - Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** - In addition to the basic financial statement and accompanying notes, this report presents certain required information supplements including budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit School Board. The School Board does not issue separate financial statements.

## **Government-wide Financial Analysis**

As stated earlier in this discussion, net position may serve as a useful indicator of a City's financial position over time. For the City in FY2020, (1) assets and deferred outflows of resources exceeded (2) liabilities and deferred inflows of resources by \$34,217,708 at the close of the fiscal year as presented in the Table below. This was an increase of \$1,386,805 or 4.22% more than the FY2019 closing amount of \$32,830,903.

**City of Martinsville, Virginia**  
**Schedule of Assets, Liabilities and Net Position**  
**Governmental and Business-Type Activities**  
**For the Years Ended June 30, 2020 and 2019**

|                                                                   | <b>Governmental<br/>Activities</b> |                      | <b>Business-type<br/>Activities</b> |                      | <b>Totals</b>         |                      |
|-------------------------------------------------------------------|------------------------------------|----------------------|-------------------------------------|----------------------|-----------------------|----------------------|
|                                                                   | <b>2020</b>                        | <b>2019</b>          | <b>2020</b>                         | <b>2019</b>          | <b>2020</b>           | <b>2019</b>          |
| Current and other assets                                          | \$ 14,633,555                      | \$ 11,499,881        | \$ 17,054,632                       | \$ 15,682,718        | \$ 31,688,187         | \$ 27,182,599        |
| Capital assets                                                    | 20,321,392                         | 21,570,857           | 48,548,772                          | 47,842,885           | 68,870,164            | 69,413,742           |
| Total assets                                                      | \$ 34,954,947                      | \$ 33,070,738        | \$ 65,603,404                       | \$ 63,525,603        | \$ 100,558,351        | \$ 96,596,341        |
| Deferred outflows of resources                                    | 4,638,856                          | 2,239,713            | 976,998                             | 457,162              | 5,615,854             | 2,696,875            |
| Total assets and deferred outflows of resources                   | <u>\$ 39,593,803</u>               | <u>\$ 35,310,451</u> | <u>\$ 66,580,402</u>                | <u>\$ 63,982,765</u> | <u>\$ 106,174,205</u> | <u>\$ 99,293,216</u> |
| Long-term liabilities outstanding                                 | \$ 33,428,990                      | \$ 29,664,430        | \$ 29,286,882                       | \$ 29,806,773        | \$ 62,715,872         | \$ 59,471,203        |
| Current liabilities                                               | 4,544,748                          | 3,257,527            | 3,783,123                           | 2,626,314            | 8,327,871             | 5,883,841            |
| Total liabilities                                                 | <u>\$ 37,973,738</u>               | <u>\$ 32,921,957</u> | <u>\$ 33,070,005</u>                | <u>\$ 32,433,087</u> | <u>\$ 71,043,743</u>  | <u>\$ 65,355,044</u> |
| Deferred inflows of resources                                     | <u>\$ 679,146</u>                  | <u>\$ 783,690</u>    | <u>\$ 233,608</u>                   | <u>\$ 323,579</u>    | <u>\$ 912,754</u>     | <u>\$ 1,107,269</u>  |
| Net position:                                                     |                                    |                      |                                     |                      |                       |                      |
| Net investment in capital assets                                  | \$ 9,567,363                       | \$ 10,741,090        | \$ 25,296,901                       | \$ 24,696,125        | \$ 34,864,264         | \$ 35,437,215        |
| Unrestricted                                                      | (8,626,444)                        | (9,136,286)          | 7,979,888                           | 6,529,974            | (646,556)             | (2,606,312)          |
| Total net position                                                | <u>\$ 940,919</u>                  | <u>\$ 1,604,804</u>  | <u>\$ 33,276,789</u>                | <u>\$ 31,226,099</u> | <u>\$ 34,217,708</u>  | <u>\$ 32,830,903</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 39,593,803</u>               | <u>\$ 35,310,451</u> | <u>\$ 66,580,402</u>                | <u>\$ 63,982,765</u> | <u>\$ 106,174,205</u> | <u>\$ 99,293,216</u> |

At the end of FY2020, the City's net investment in capital assets is \$34,864,264, which exceeds total net position of \$34,217,708. These capital assets are used to deliver services to City residents and business; and accordingly, these assets are not available for future spending. Although the important and needed investment in capital assets is reported as net investment in capital assets, it should be noted that the resources needed to repay such debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current Fiscal Year, the City's Governmental Activities net investment in capital assets is \$9,567,363.

Restricted Assets represent resources subject to external restrictions on how they may be used. In FY2020, the City held cash restricted for Electric and Water customer deposits totaling \$502,849.

## **Government-wide Financial Analysis (Continued)**

**Governmental Activities** - Governmental activities decreased Martinsville City's net position by \$663,885. The key elements of this increase are found in exhibit 2.

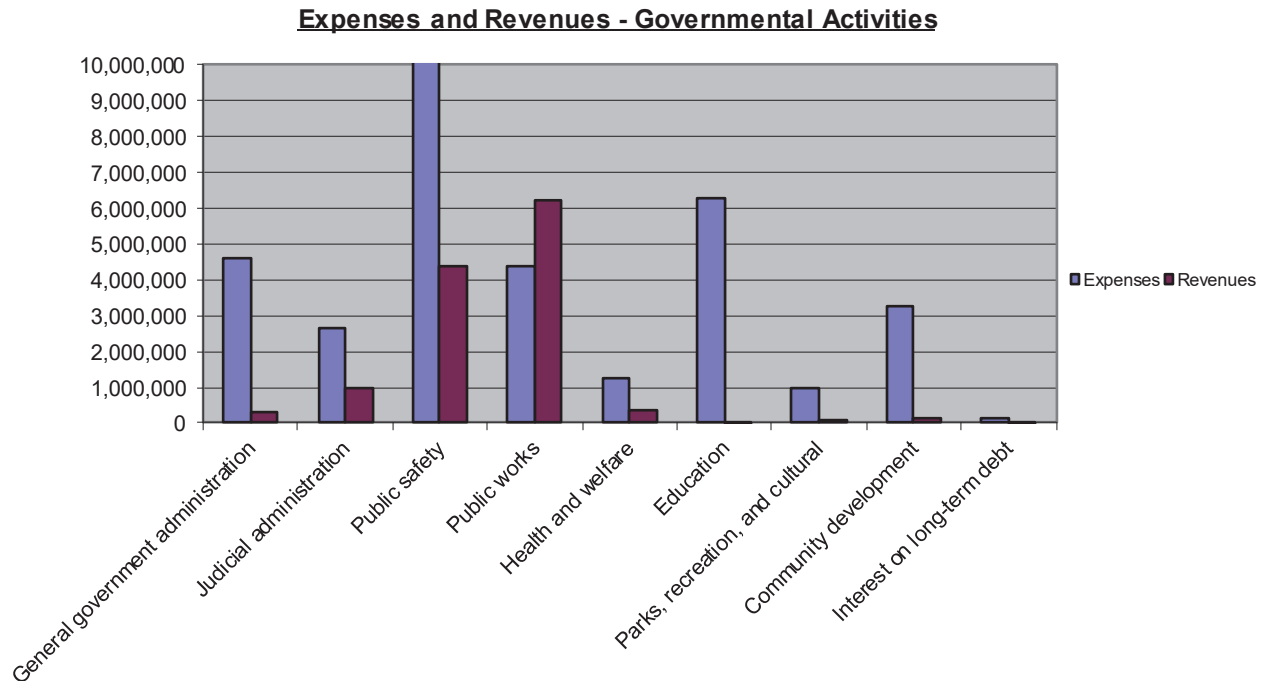
**City of Martinsville, Virginia  
Changes in Net Position  
Governmental and Business-Type Activities  
For the Years Ended June 30, 2020 and 2019**

|                                         | <b>Governmental Activities</b> |               | <b>Business-type Activities</b> |               | <b>Totals</b> |               |
|-----------------------------------------|--------------------------------|---------------|---------------------------------|---------------|---------------|---------------|
|                                         | <b>2020</b>                    | <b>2019</b>   | <b>2020</b>                     | <b>2019</b>   | <b>2020</b>   | <b>2019</b>   |
| Revenues:                               |                                |               |                                 |               |               |               |
| Program revenues:                       |                                |               |                                 |               |               |               |
| Charges for services                    | \$ 2,596,441                   | \$ 2,476,786  | \$ 29,927,085                   | \$ 29,341,201 | \$ 32,523,526 | \$ 31,817,987 |
| Operating grants and contributions      | 8,652,824                      | 8,328,425     | -                               | -             | 8,652,824     | 8,328,425     |
| Capital grants and contributions        | 1,199,002                      | 755,137       | -                               | 1,000,000     | 1,199,002     | 1,755,137     |
| General revenues:                       |                                |               |                                 |               |               |               |
| General property taxes                  | 9,591,164                      | 9,728,127     | -                               | -             | 9,591,164     | 9,728,127     |
| Other local taxes                       | 7,441,311                      | 7,554,516     | -                               | -             | 7,441,311     | 7,554,516     |
| Commonwealth non-categorical aid        | 1,883,750                      | 1,526,595     | -                               | -             | 1,883,750     | 1,526,595     |
| Other general revenues                  | 1,747,533                      | 1,687,905     | 27,638                          | 23,386        | 1,775,171     | 1,711,291     |
| Total revenues                          | \$ 33,112,025                  | \$ 32,057,491 | \$ 29,954,723                   | \$ 30,364,587 | \$ 63,066,748 | \$ 62,422,078 |
| Expenses:                               |                                |               |                                 |               |               |               |
| General government administration       | \$ 4,618,016                   | \$ 3,431,098  | \$ -                            | \$ -          | \$ 4,618,016  | \$ 3,431,098  |
| Judicial administration                 | 2,641,457                      | 2,262,276     | -                               | -             | 2,641,457     | 2,262,276     |
| Public safety                           | 11,826,946                     | 9,801,973     | -                               | -             | 11,826,946    | 9,801,973     |
| Public works                            | 4,354,892                      | 3,545,037     | -                               | -             | 4,354,892     | 3,545,037     |
| Health and welfare                      | 1,227,588                      | 1,114,250     | -                               | -             | 1,227,588     | 1,114,250     |
| Education                               | 6,282,794                      | 7,296,370     | -                               | -             | 6,282,794     | 7,296,370     |
| Parks, recreation, and cultural         | 955,956                        | 855,335       | -                               | -             | 955,956       | 855,335       |
| Community development                   | 3,282,279                      | 3,073,604     | -                               | -             | 3,282,279     | 3,073,604     |
| Interest on long-term debt              | 133,477                        | 126,708       | -                               | -             | 133,477       | 126,708       |
| Electric                                | -                              | -             | 17,444,975                      | 18,277,367    | 17,444,975    | 18,277,367    |
| Water                                   | -                              | -             | 2,359,706                       | 2,199,820     | 2,359,706     | 2,199,820     |
| Sewer                                   | -                              | -             | 4,592,474                       | 4,011,522     | 4,592,474     | 4,011,522     |
| Refuse collection/landfill              | -                              | -             | 1,959,383                       | 1,956,974     | 1,959,383     | 1,956,974     |
| Total expenses                          | \$ 35,323,405                  | \$ 31,506,651 | \$ 26,356,538                   | \$ 26,445,683 | \$ 61,679,943 | \$ 57,952,334 |
| Change in net position before transfers | \$ (2,211,380)                 | \$ 550,840    | \$ 3,598,185                    | \$ 3,918,904  | \$ 1,386,805  | \$ 4,469,744  |
| Transfers                               | 1,547,495                      | 1,169,144     | (1,547,495)                     | (1,169,144)   | -             | -             |
| Change in net position                  | \$ (663,885)                   | \$ 1,719,984  | \$ 2,050,690                    | \$ 2,749,760  | \$ 1,386,805  | \$ 4,469,744  |
| Net position - beginning                | 1,604,804                      | (115,180)     | 31,226,099                      | 28,476,339    | 32,830,903    | 28,361,159    |
| Net position - ending                   | \$ 940,919                     | \$ 1,604,804  | \$ 33,276,789                   | \$ 31,226,099 | \$ 34,217,708 | \$ 32,830,903 |

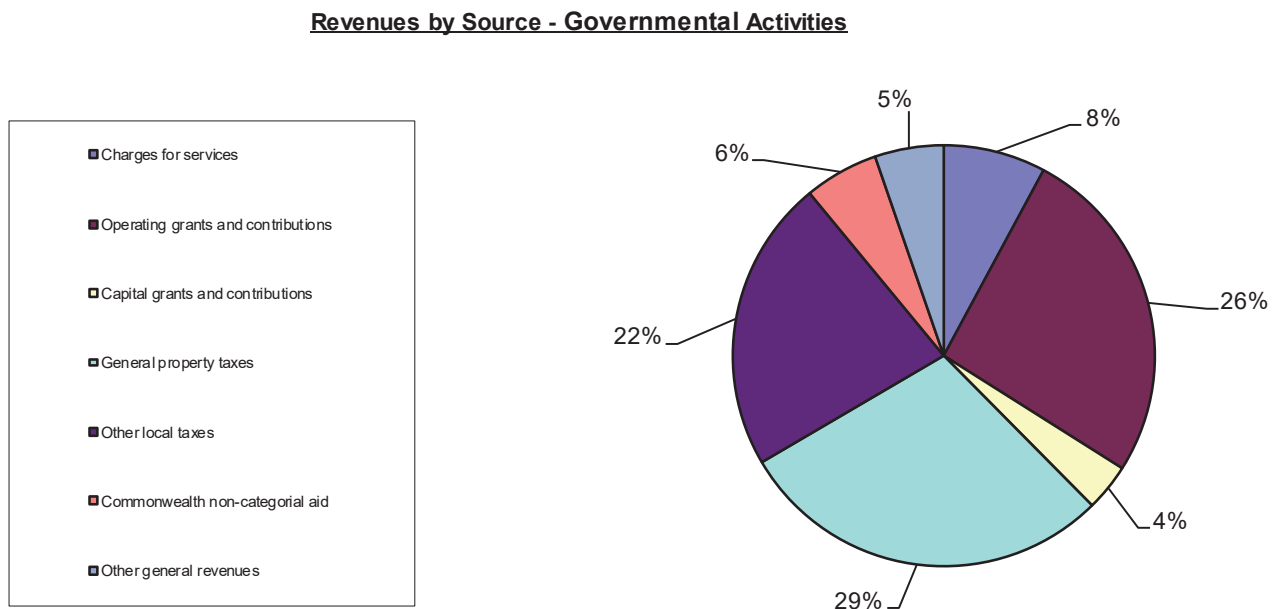
Revenues and transfers in governmental activities totaled \$34,659,520 with operating grants and contributions (27.30%), general property taxes (28.97%), and other local taxes (22.47%) comprising 78.74% of the City's revenues. Expenses for public safety (33.47%), education (17.81%), public works (12.32%), community development (9.29%), and general government administration (13.07%), account for 85.96% of total governmental expenses of \$35,323,405.

## Government-wide Financial Analysis (Continued)

The chart below compares the revenues and expenses by program for governmental activities. It is common throughout the Commonwealth for expenses to outpace the revenues because most of the programs are not able to generate revenue. For those programs that can generate revenue (Recreation, Building Inspections etc.) the City has traditionally followed a policy of maintaining associated charges at a minimal level and funding the expenses from other revenue sources.



The chart below portrays the Sources of Revenue for the Governmental Activities of the City.



Business-type Activities increased the City's net position by \$2,050,690 after accounting for \$1,547,495 in transfers to the General and Capital Reserve Funds. Transfers out of business-type activities increased by \$378,351 compared to the prior fiscal year.

## **Financial Analysis of the City's Funds**

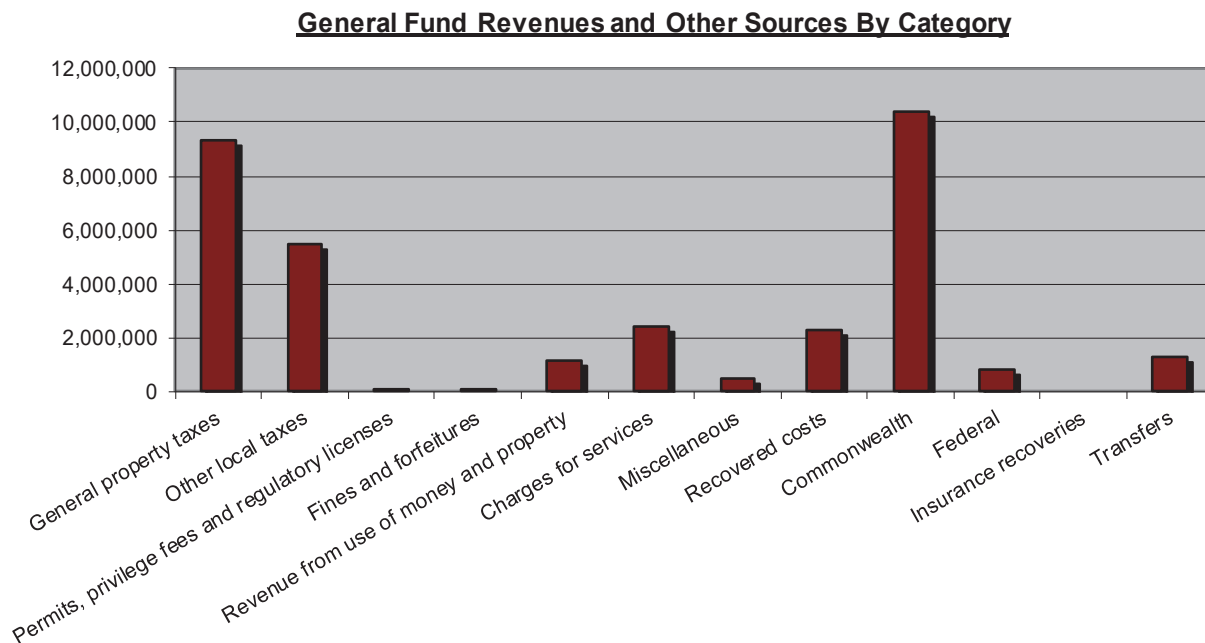
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances at the end of the fiscal year can be used to measure net resources available for expenditure. Governmental Funds reported a combined ending fund balance of \$8,552,741 an increase of \$1,705,383 when compared to the prior year. \$4,938,739, or 57.74%, of the combined governmental fund balance is unassigned. The remaining \$3,614,002, or 42.26%, of the total fund balance is nonspendable, committed or assigned to show it is not available for spending because it has been designated as nonspendable, committed or assigned for future projects.

The General Fund is the operating fund of the City. The General Fund reports a fund balance at June 30, 2020 of \$6,960,953. This is an increase from the prior year of \$718,799. The General Fund expenditures exceeded revenues in the current year by \$136,293; the expenditures exceeded revenues in FY19 by \$1,629,509. The transfer amounts into the General Fund of \$1,273,123 increased by \$234,178 compared to FY19. During FY20, transfers from the Proprietary Funds were kept to a minimum to allow those funds to accrue reserves. There were transfers out of the General Fund totaling \$418,031. \$4,938,739, representing 70.95% of the total fund balance is unassigned, an increase of \$607,290, compared to \$4,331,449 of unassigned fund balance from June 30, 2019. As a measure of the General Fund's liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15.10% of total General Fund expenditures, while total fund balance is 21.28% of that same amount.

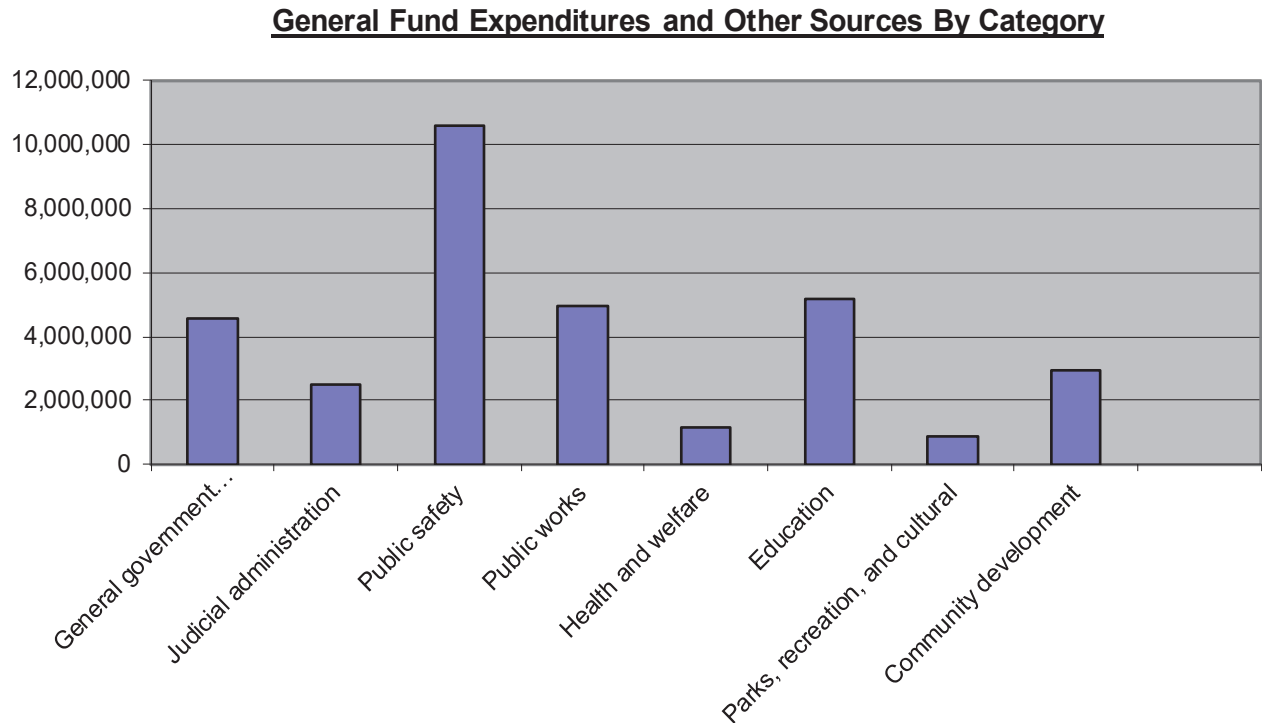
### **General Fund Revenues and Other Sources by Category**

The following graph depicts General Fund revenues and other sources by categories. Total revenues and other sources are \$33,851,780, including transfers into the fund of \$1,273,123.



## **General Fund Revenues and Other Sources by Category (Continued)**

The graph below displays General Fund expenditures and other uses by category. Total expenditures and uses are \$33,132,981.



Proprietary funds – reported combined ending net position of \$33,276,789, an increase of \$2,050,690 in comparison with the amount reported on June 30, 2019. The Electric Fund increased \$1,806,634; the Refuse Fund increased \$201,853; the Water Fund decreased \$68,298; and the Sewer Fund increased \$110,501.

The Enterprise Funds contributed \$1,547,495 in the support of other City operations. Transfers were made to the General Fund and Capital Reserve Fund in FY2020.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were as follows. Revenues were increased by \$1,169,628 or 3.79%, while expenditures increased by \$1,720,947 or 5.09%.

The Revenue increases (decreases) were as follows:

- \$288 in Miscellaneous
- \$475 in Permits, privilege fees and regulatory licenses
- \$694 in Fines and forfeitures
- \$125,150 in Recovered Costs
- \$575,990 in Intergovernmental revenues from the Commonwealth
- \$467,031 in Intergovernmental revenues from the Federal Government

## **General Fund Budgetary Highlights (Continued)**

The Expenditure amendments were as follows:

- \$72,775 in General government administration
- \$22,446 in Judicial administration
- \$552,292 in Public Safety
- \$805,909 in Public Works
- \$9,826 in Parks, Recreation, and Cultural
- \$257,699 in Community development

During the year, actual revenues were greater than budgeted by \$522,347 or 1.63%; actual expenditures were less than the budget by \$2,834,996 or 7.97%. The result was a positive variance of \$3,357,343 to the revised budget.

## **Capital Asset and Debt Administration**

Capital assets – The City's investment in capital assets for its governmental and enterprise operations as of June 30, 2020, is \$68,870,164 (net of accumulated depreciation) as listed in the table below. This investment in capital assets includes land, buildings and improvements, infrastructure, and machinery and equipment. Significant capital asset events during FY2020 were: public works equipment, patrol cars, trucks, ambulance, and continuing facility renovations.

### **City of Martinsville, Virginia's Capital Assets June 30, 2020 and 2019**

|                                | <b>Governmental Activities</b> |                      | <b>Business-type Activities</b> |                      | <b>Totals</b>        |                      |
|--------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                | <b>2020</b>                    | <b>2019</b>          | <b>2020</b>                     | <b>2019</b>          | <b>2020</b>          | <b>2019</b>          |
| Land                           | \$ 4,379,094                   | \$ 4,379,094         | \$ 683,624                      | \$ 683,624           | \$ 5,062,718         | \$ 5,062,718         |
| Buildings and improvements     | 16,824,383                     | 17,727,822           | 6,779,238                       | 6,779,238            | 23,603,621           | 24,507,060           |
| Infrastructure                 | 34,731,414                     | 34,731,414           | 90,053,323                      | 88,309,724           | 124,784,737          | 123,041,138          |
| Equipment                      | 11,665,091                     | 11,078,747           | 9,742,284                       | 9,686,803            | 21,407,375           | 20,765,550           |
| Total                          | \$ 67,599,982                  | \$ 67,917,077        | \$ 107,258,469                  | \$ 105,459,389       | \$ 174,858,451       | \$ 173,376,466       |
| Less: accumulated depreciation | 47,278,590                     | 46,346,220           | 58,709,697                      | 57,616,504           | 105,988,287          | 103,962,724          |
| Net capital assets             | <u>\$ 20,321,392</u>           | <u>\$ 21,570,857</u> | <u>\$ 48,548,772</u>            | <u>\$ 47,842,885</u> | <u>\$ 68,870,164</u> | <u>\$ 69,413,742</u> |

Additional information on Martinsville City's capital assets can be found in Note 6 of this report.

Long-term debt – At the close of FY2020, Martinsville City had total outstanding obligations (not including pension or OPEB obligations) of \$37,044,545. Of this amount, \$10,096,528 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources, i.e., revenue bonds and lease purchase agreements.

During the Fiscal Year, there was net decrease in the City's long-term debt of \$1,279,532. This amount does not include increases and decreases of the City's pension and OPEB obligations.

The Commonwealth of Virginia imposes a legal limit of 10% of the assessed valuation of taxable real property on the amount of general obligation borrowing which a City may issue. On June 30, 2020 the City's ratio of Net General Obligation Debt to Assessed Value was 1.58%. This was a decrease from the previous fiscal year.

Additional information on the Martinsville City's long-term debt can be found in Note 8 of this report.

## **Economic Factors Influencing FY2020 Budget and Tax Rates**

The FY20 budget continued the strategy of streamlining expenses, funding essential capital expenditures, reviewing personnel reductions through attrition wherever possible, evaluating all vacancies on a case-by-case basis, and continued an internal cost allocation plan to ensure costs attributed to utility operations are fairly and accurately recovered in the City's General Fund. Basic tax rates remain unchanged. Meals Tax revenue is generally applied to School debt service and capital needs while Cigarette Tax revenue simply accrues to General Fund revenue.

## **Looking Ahead – The Outlook for FY2021 - Opportunities and Challenges**

The City faces both opportunities and challenges in FY21, including the following issues:

- 1. Covid-19 Impacts** – In late winter/spring of 2020, the Covid-19 pandemic impacted the national, state, and local economies as businesses closed, reduced hours, and reduced capacity in response to aggressive mandates aimed at reducing public exposure. Locally, those impacts hit the later months of the FY2020 budget and carried forward into FY2021 which resulted in higher unemployment and reductions in certain categories of local revenue, including utility receivables.
- 2. Unemployment, under-employment, and other workforce challenges** - After many years of experiencing higher unemployment relative to other localities around the state, Martinsville realized substantial and steady improvement – until the COVID-19 outbreak. The unemployment rate for the City on June 30, 2020 was 14.3% compared to 4.6% for June 30, 2019, and 5.6% for June 30, 2018. Since June 30 the rate has improved somewhat, but challenges continue to be reported by employers in filling vacant positions throughout the community with qualified individuals. Workforce issues will continue to be a challenge as economic growth and expansion occurs.
- 3. Reductions in state aid and unfunded state mandates** - A continuing concern for the City is in regard to potential reductions in state aid during periods when state revenue fails to meet budget projections. This practice is unpredictable and creates additional financial stress for the City. The state's practice of failing to honor financial commitments to localities (HB599 funding, for example) as well as continuing to shift financial responsibility to the City for state mandated programs (In FY20, additional Commonwealth Attorney staffing based on body-worn camera data) simply adds fiscal stress to already-stretched budgets.
- 4. Personnel Costs** - The City continues to address the rising cost of employee health care, market-related adjustments in the pay/classification plan to remain competitive, and changes in funding related to Virginia Retirement System contributions, all of which have a significant and continuing impact on the City's budget. Remaining competitive in the regional market to retain and attract employee talent is a growing challenge, and not necessarily unique to Martinsville alone.
- 5. Policy** - The City Council approves the annual budget following staff recommendations, its own analysis of the needs of the City including the City's overall financial position and economic conditions, and after careful consideration of input and comments from the citizens. This methodical process has led to the development of conservative budget principles of minimizing increases in taxes and fees while maintaining the same levels of service that citizens are accustomed to receiving. Management and Council realize that the trend of providing current levels of services cannot continue indefinitely without increasing revenues/fees for service and/or without making changes in the manner at which local funds are expended.

## **Looking Ahead – The Outlook for FY2021 - Opportunities and Challenges (Continued)**

- 6. Exploration of new revenue opportunities** - With direction from City Council, staff continues to explore opportunities for revenue growth. Continued expansion/growth of the City's fiber optic system shows potential and positive net revenue growth is occurring. Expansion opportunities are generally considered on a case by case basis in regard to the investment required, ROI/pay back, and the ability of City staff to provide the highest level of customer support. Consideration is being given to a continued marketing strategy for the MiNet system and using the system capabilities as an economic development tool. FY2021 will see the expansion of MiNet into the City's residential sector.
- 7. Exploration of opportunities to reduce costs/outsource** - City staff continues to investigate options for outsourcing certain governmental functions/operations in areas where service can be provided at least as good if not better at less cost than providing the same service internally. Outsourcing housing functions, changes in management of the City's baseball team, the Martinsville Mustangs, and continuing to contract with the Martinsville Chamber of Commerce's Partnership for Economic Growth for small business development are several examples. The City recently contracted with Martinsville Henry County YMCA to provide management of recreation services, again at a substantial savings while keeping services unchanged, and other such opportunities are being considered.
- 8. Uptown Revitalization Projects** - In an effort to accelerate redevelopment of vacant or underutilized properties, the City is taking a more aggressive position on property acquisitions with the plan to leverage available funding through grants and/or other sources to repurpose properties for betterment of the community, and in many cases, the Uptown area specifically. The establishment of a Land Bank in late 2018 is expected to complement revitalization efforts with several potential projects being discussed.

The City's continued partnership with the Martinsville-Henry County Chamber of Commerce's – Partnership for Economic Growth for management of West Piedmont Business Development Center – a business incubator located in the heart of Uptown Martinsville is proving to be beneficial as CPEG continually maintains the Incubator at or near full capacity. Additionally, the City is involved with several Uptown redevelopment projects that should significantly and positively impact the Uptown area – redevelopment of the Chief Tassel Building, redevelopment of the BB & T bank property, and potential reuse of the building located at 62 Fayette Street intended for use in the former medical school project.

- 9. Job Creation** - The City continues to partner with Henry County in economic development. Going into FY21, efforts will continue to retain current business and industry, provide an atmosphere conducive to expansion, as well as to attract new business and industry.
- 10. Industrial Park Development** - The City and Henry County partner in economic development through joint funding of the Martinsville-Henry County Economic Development Corporation and also through a revenue sharing agreement at two County industrial parks. Under the agreement, the City is to receive one-third of the tax revenue generated after Henry County recoups its initial investment. One particular industrial park, Commonwealth Crossing Business Centre (CCBC), a 726 acre rail-served site, has become the focus of aggressive development efforts and grading of several large tracts at the site is complete. CCAT, the Commonwealth Center for Advanced Training, a 26,000 sf advanced manufacturing training facility has been completed and Press Glass, the first tenant at CCBC has completed and now operates from a \$43.5 million 280,000 sf manufacturing facility. There continues to be much interest in sites at both CCBC and the Patriot Centre.

## **Looking Ahead – The Outlook for FY2021 - Opportunities and Challenges (Continued)**

**11. Infrastructure Needs** - The City continues to address essential infrastructure needs, recently completing a number of projects – repairs to the sewer collection system, replaced water and electric meters with an automated system, upgraded street lighting, remediated an environmental issue at the closed City landfill, and currently working on the latest project to repair the spillway at the City's reservoir. Costs for these projects are being handled either through utility rate adjustments or through a performance contract concept whereby operational savings realized from updated equipment covers project debt service.

For fiscal year 2021, City Council approved a General Fund Budget of \$32,658,074 with no changes in the basic tax rates, and increases in two utilities: the monthly Water bill of \$2.50 and Electric PCA of 2.5%.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Martinsville's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Martinsville, Finance Department, 55 West Church Street, Martinsville, Virginia 24112.

## **Basic Financial Statements**

## **Government-wide Financial Statements**

Statement of Net Position  
At June 30, 2020

|                                                                    | Primary Government      |                          |                | Component Unit |
|--------------------------------------------------------------------|-------------------------|--------------------------|----------------|----------------|
|                                                                    | Governmental Activities | Business-type Activities | Total          | School Board   |
| <b>ASSETS</b>                                                      |                         |                          |                |                |
| Current Assets:                                                    |                         |                          |                |                |
| Cash and cash equivalents                                          | \$ 8,261,649            | \$ 11,586,022            | \$ 19,847,671  | \$ 1,987,245   |
| Cash and cash equivalents - restricted                             | -                       | 502,849                  | 502,849        | -              |
| Receivables (net of allowance for uncollectibles):                 |                         |                          |                |                |
| Property taxes                                                     | 1,968,058               | -                        | 1,968,058      | -              |
| Accounts receivable                                                | 85,635                  | 3,595,535                | 3,681,170      | -              |
| Inventory                                                          | 2,864,512               | 1,370,226                | 4,234,738      | -              |
| Due from other governments                                         | 1,453,701               | -                        | 1,453,701      | 1,047,526      |
| Total Current Assets                                               | \$ 14,633,555           | \$ 17,054,632            | \$ 31,688,187  | \$ 3,034,771   |
| Noncurrent Assets:                                                 |                         |                          |                |                |
| Capital assets (net of accumulated depreciation):                  |                         |                          |                |                |
| Land and land improvements                                         | \$ 4,379,094            | \$ 683,624               | \$ 5,062,718   | \$ 47,172      |
| Buildings and improvements                                         | 8,273,239               | 2,547,477                | 10,820,716     | 11,270,557     |
| Equipment                                                          | 3,311,848               | 2,955,221                | 6,267,069      | 699,083        |
| Infrastructure                                                     | 4,357,211               | 42,362,450               | 46,719,661     | -              |
| Total Net Capital Assets                                           | \$ 20,321,392           | \$ 48,548,772            | \$ 68,870,164  | \$ 12,016,812  |
| Total Noncurrent Assets                                            | \$ 20,321,392           | \$ 48,548,772            | \$ 68,870,164  | \$ 12,016,812  |
| Total Assets                                                       | \$ 34,954,947           | \$ 65,603,404            | \$ 100,558,351 | \$ 15,051,583  |
| <b>DEFERRED OUTFLOWS OF RESOURCES:</b>                             |                         |                          |                |                |
| Items related to:                                                  |                         |                          |                |                |
| Pension                                                            | \$ 4,303,851            | \$ 905,869               | \$ 5,209,720   | \$ 3,768,683   |
| OPEB                                                               | 335,005                 | 71,129                   | 406,134        | 428,701        |
| Total deferred outflows of resources                               | \$ 4,638,856            | \$ 976,998               | \$ 5,615,854   | \$ 4,197,384   |
| Total assets and deferred outflows of resources                    | \$ 39,593,803           | \$ 66,580,402            | \$ 106,174,205 | \$ 19,248,967  |
| <b>LIABILITIES</b>                                                 |                         |                          |                |                |
| Current Liabilities:                                               |                         |                          |                |                |
| Accounts payable and other current liabilities                     | \$ 2,010,467            | \$ 2,473,030             | \$ 4,483,497   | \$ 1,181,106   |
| Accrued interest payable                                           | 218,972                 | 71,064                   | 290,036        | -              |
| Unearned revenues                                                  | 708,028                 | -                        | 708,028        | -              |
| Current portion of grant repayment liability                       | 156,000                 | -                        | 156,000        | -              |
| Current portion of long-term obligations                           | 1,451,281               | 1,239,029                | 2,690,310      | -              |
| Total Current Liabilities                                          | \$ 4,544,748            | \$ 3,783,123             | \$ 8,327,871   | \$ 1,181,106   |
| Noncurrent Liabilities:                                            |                         |                          |                |                |
| Noncurrent portion of grant repayment liability                    | \$ 312,000              | \$ -                     | \$ 312,000     | \$ -           |
| Noncurrent portion of long-term obligations                        | 33,116,990              | 29,286,882               | 62,403,872     | 24,054,880     |
| Total Noncurrent Liabilities                                       | \$ 33,428,990           | \$ 29,286,882            | \$ 62,715,872  | \$ 24,054,880  |
| Total Liabilities                                                  | \$ 37,973,738           | \$ 33,070,005            | \$ 71,043,743  | \$ 25,235,986  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                               |                         |                          |                |                |
| Deferred revenue - property taxes                                  | \$ 59,514               | \$ -                     | \$ 59,514      | \$ -           |
| Items related to:                                                  |                         |                          |                |                |
| Pension                                                            | 525,376                 | 213,339                  | 738,715        | 2,803,629      |
| OPEB                                                               | 94,256                  | 20,269                   | 114,525        | 209,216        |
| Total deferred inflows of resources                                | \$ 679,146              | \$ 233,608               | \$ 912,754     | \$ 3,012,845   |
| <b>NET POSITION</b>                                                |                         |                          |                |                |
| Net investment in capital assets                                   | \$ 9,567,363            | \$ 25,296,901            | \$ 34,864,264  | \$ 12,016,812  |
| Unrestricted                                                       | (8,626,444)             | 7,979,888                | (646,556)      | (21,016,676)   |
| Total Net Position                                                 | \$ 940,919              | \$ 33,276,789            | \$ 34,217,708  | \$ (8,999,864) |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 39,593,803           | \$ 66,580,402            | \$ 106,174,205 | \$ 19,248,967  |

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF MARTINSVILLE, VIRGINIA**

Statement of Activities  
For the Year Ended June 30, 2020

| Functions/Programs                                           | Expenses      | Program Revenues           |                                          |                                        |
|--------------------------------------------------------------|---------------|----------------------------|------------------------------------------|----------------------------------------|
|                                                              |               | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| PRIMARY GOVERNMENT:                                          |               |                            |                                          |                                        |
| Governmental activities:                                     |               |                            |                                          |                                        |
| General government administration                            | \$ 4,618,016  | \$ 25,092                  | \$ 277,684                               | \$ -                                   |
| Judicial administration                                      | 2,641,457     | 139,760                    | 841,540                                  | -                                      |
| Public safety                                                | 11,826,946    | 773,151                    | 3,497,408                                | 124,641                                |
| Public works                                                 | 4,354,892     | 1,656,197                  | 3,494,529                                | 1,074,361                              |
| Health and welfare                                           | 1,227,588     | -                          | 385,528                                  | -                                      |
| Education                                                    | 6,282,794     | -                          | -                                        | -                                      |
| Parks, recreation, and cultural                              | 955,956       | 2,241                      | 30,259                                   | -                                      |
| Community development                                        | 3,282,279     | -                          | 125,876                                  | -                                      |
| Interest on long-term debt                                   | 133,477       | -                          | -                                        | -                                      |
| Total governmental activities                                | \$ 35,323,405 | \$ 2,596,441               | \$ 8,652,824                             | \$ 1,199,002                           |
| Business-type activities:                                    |               |                            |                                          |                                        |
| Electric                                                     | \$ 17,444,975 | \$ 19,251,609              | \$ -                                     | \$ -                                   |
| Water                                                        | 2,359,706     | 3,565,780                  | -                                        | -                                      |
| Sewer                                                        | 4,592,474     | 4,675,337                  | -                                        | -                                      |
| Refuse collection / landfill                                 | 1,959,383     | 2,434,359                  | -                                        | -                                      |
| Total business-type activities                               | \$ 26,356,538 | \$ 29,927,085              | \$ -                                     | \$ -                                   |
| Total primary government                                     | \$ 61,679,943 | \$ 32,523,526              | \$ 8,652,824                             | \$ 1,199,002                           |
| COMPONENT UNIT:                                              |               |                            |                                          |                                        |
| School Board                                                 | \$ 23,357,094 | \$ 75,956                  | \$ 18,305,695                            | \$ -                                   |
| General revenues:                                            |               |                            |                                          |                                        |
| General property taxes                                       |               |                            |                                          |                                        |
| Local sales tax                                              |               |                            |                                          |                                        |
| Business license tax                                         |               |                            |                                          |                                        |
| Meals tax                                                    |               |                            |                                          |                                        |
| Consumer utility tax                                         |               |                            |                                          |                                        |
| Other local taxes                                            |               |                            |                                          |                                        |
| Unrestricted revenues from use of money and property         |               |                            |                                          |                                        |
| Miscellaneous                                                |               |                            |                                          |                                        |
| Grants and contributions not restricted to specific programs |               |                            |                                          |                                        |
| City contribution to the school board, unrestricted          |               |                            |                                          |                                        |
| Transfers                                                    |               |                            |                                          |                                        |
| Total general revenues and transfers                         |               |                            |                                          |                                        |
| Change in net position                                       |               |                            |                                          |                                        |
| Net position - beginning                                     |               |                            |                                          |                                        |
| Net position - ending                                        |               |                            |                                          |                                        |

The accompanying notes to financial statements are an integral part of this statement.

| Net (Expense) Revenue and Changes in Net Position |                          |                 |                |                                                              |
|---------------------------------------------------|--------------------------|-----------------|----------------|--------------------------------------------------------------|
| Primary Government                                |                          |                 | Component Unit |                                                              |
| Governmental Activities                           | Business-type Activities | Total           | School Board   | Functions/Programs                                           |
| PRIMARY GOVERNMENT:                               |                          |                 |                |                                                              |
| Governmental activities:                          |                          |                 |                |                                                              |
| \$ (4,315,240)                                    | \$ -                     | \$ (4,315,240)  | \$ -           | General government administration                            |
| (1,660,157)                                       | -                        | (1,660,157)     | -              | Judicial administration                                      |
| (7,431,746)                                       | -                        | (7,431,746)     | -              | Public safety                                                |
| 1,870,195                                         | -                        | 1,870,195       | -              | Public works                                                 |
| (842,060)                                         | -                        | (842,060)       | -              | Health and welfare                                           |
| (6,282,794)                                       | -                        | (6,282,794)     | -              | Education                                                    |
| (923,456)                                         | -                        | (923,456)       | -              | Parks, recreation, and cultural                              |
| (3,156,403)                                       | -                        | (3,156,403)     | -              | Community development                                        |
| (133,477)                                         | -                        | (133,477)       | -              | Interest on long-term debt                                   |
| \$ (22,875,138)                                   | \$ -                     | \$ (22,875,138) | \$ -           | Total government activities                                  |
| Business-type activities:                         |                          |                 |                |                                                              |
| \$ -                                              | \$ 1,806,634             | \$ 1,806,634    | \$ -           | Electric                                                     |
| -                                                 | 1,206,074                | 1,206,074       | -              | Water                                                        |
| -                                                 | 82,863                   | 82,863          | -              | Sewer                                                        |
| -                                                 | 474,976                  | 474,976         | -              | Refuse collection / landfill                                 |
| \$ -                                              | \$ 3,570,547             | \$ 3,570,547    | \$ -           | Total business-type activities                               |
| \$ (22,875,138)                                   | \$ 3,570,547             | \$ (19,304,591) | \$ -           | Total primary government                                     |
| COMPONENT UNIT:                                   |                          |                 |                |                                                              |
| \$ -                                              | \$ -                     | \$ -            | \$ (4,975,443) | School Board                                                 |
| General revenues:                                 |                          |                 |                |                                                              |
| \$ 9,591,164                                      | \$ -                     | \$ 9,591,164    | \$ -           | General property taxes                                       |
| 2,075,778                                         | -                        | 2,075,778       | -              | Local sales tax                                              |
| 1,908,324                                         | -                        | 1,908,324       | -              | Business license tax                                         |
| 1,960,507                                         | -                        | 1,960,507       | -              | Meals tax                                                    |
| 566,901                                           | -                        | 566,901         | -              | Consumer utility tax                                         |
| 929,801                                           | -                        | 929,801         | -              | Other local taxes                                            |
| 1,195,720                                         | 27,638                   | 1,223,358       | 77,353         | Unrestricted revenues from use of money and property         |
| 551,813                                           | -                        | 551,813         | 220,915        | Miscellaneous                                                |
| 1,883,750                                         | -                        | 1,883,750       | -              | Grants and contributions not restricted to specific programs |
| -                                                 | -                        | -               | 5,137,207      | City contribution to the school board, unrestricted          |
| 1,547,495                                         | (1,547,495)              | -               | -              | Transfers                                                    |
| \$ 22,211,253                                     | \$ (1,519,857)           | \$ 20,691,396   | \$ 5,435,475   | Total general revenues and transfers                         |
| \$ (663,885)                                      | \$ 2,050,690             | \$ 1,386,805    | \$ 460,032     | Change in net position                                       |
| 1,604,804                                         | 31,226,099               | 32,830,903      | (9,459,896)    | Net position - beginning                                     |
| \$ 940,919                                        | \$ 33,276,789            | \$ 34,217,708   | \$ (8,999,864) | Net position - ending                                        |

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## **Fund Financial Statements**

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Balance Sheet - Governmental Funds  
At June 30, 2020

|                                                                     | General              | Meals<br>Tax<br>Fund | Nonmajor<br>Governmental<br>Funds | Total                |
|---------------------------------------------------------------------|----------------------|----------------------|-----------------------------------|----------------------|
| <b>ASSETS</b>                                                       |                      |                      |                                   |                      |
| Cash and cash equivalents                                           | \$ 5,939,017         | \$ 371,087           | \$ 1,951,545                      | \$ 8,261,649         |
| Receivables (net of allowance for uncollectibles):                  |                      |                      |                                   |                      |
| Taxes, including penalties                                          | 1,968,058            | -                    | -                                 | 1,968,058            |
| Accounts                                                            | 85,635               | -                    | -                                 | 85,635               |
| Inventory                                                           | 1,293,059            | -                    | -                                 | 1,293,059            |
| Due from other governments                                          | 1,266,282            | 187,419              | -                                 | 1,453,701            |
| Total assets                                                        | <u>\$ 10,552,051</u> | <u>\$ 558,506</u>    | <u>\$ 1,951,545</u>               | <u>\$ 13,062,102</u> |
| <b>LIABILITIES</b>                                                  |                      |                      |                                   |                      |
| Accounts payable and other current liabilities                      | \$ 1,800,232         | \$ -                 | \$ 210,235                        | \$ 2,010,467         |
| Unearned revenue                                                    | -                    | -                    | 708,028                           | 708,028              |
| Total liabilities                                                   | <u>\$ 1,800,232</u>  | <u>\$ -</u>          | <u>\$ 918,263</u>                 | <u>\$ 2,718,495</u>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                |                      |                      |                                   |                      |
| Unavailable revenue-property taxes                                  | \$ 1,790,866         | \$ -                 | \$ -                              | \$ 1,790,866         |
| Total deferred inflows of resources                                 | <u>\$ 1,790,866</u>  | <u>\$ -</u>          | <u>\$ -</u>                       | <u>\$ 1,790,866</u>  |
| <b>FUND BALANCES</b>                                                |                      |                      |                                   |                      |
| Nonspendable:                                                       |                      |                      |                                   |                      |
| Inventory                                                           | \$ 1,293,059         | \$ -                 | \$ -                              | \$ 1,293,059         |
| Committed:                                                          |                      |                      |                                   |                      |
| Judicial administration                                             | 3,754                | -                    | -                                 | 3,754                |
| Public safety                                                       | 380,844              | -                    | -                                 | 380,844              |
| Public works                                                        | 238,897              | -                    | -                                 | 238,897              |
| Community development                                               | 105,660              | -                    | -                                 | 105,660              |
| Assigned:                                                           |                      |                      |                                   |                      |
| Capital reserve fund                                                | -                    | -                    | 942,611                           | 942,611              |
| Special revenue                                                     | -                    | -                    | 90,671                            | 90,671               |
| Meals tax fund                                                      | -                    | 558,506              | -                                 | 558,506              |
| Unassigned                                                          | 4,938,739            | -                    | -                                 | 4,938,739            |
| Total fund balances                                                 | <u>\$ 6,960,953</u>  | <u>\$ 558,506</u>    | <u>\$ 1,033,282</u>               | <u>\$ 8,552,741</u>  |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 10,552,051</u> | <u>\$ 558,506</u>    | <u>\$ 1,951,545</u>               | <u>\$ 13,062,102</u> |

Detailed explanation of adjustments from fund statements to government-wide Statement of Net Position:

|                                                                                                                                                                                                                                                                         |                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Total fund balances per exhibit 3 - Balance Sheet - Governmental Funds                                                                                                                                                                                                  | \$ 8,552,741      |
| Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.                                                                                                                                                | 20,321,392        |
| Inventory of land and buildings held for resale                                                                                                                                                                                                                         | 1,571,453         |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.                                                                                                                                              |                   |
| Unavailable revenue - property taxes                                                                                                                                                                                                                                    | 1,731,352         |
| Items related to the measurement of the net pension and group life insurance OPEB liabilities are considered deferred outflows and deferred inflows and will be amortized and recognized as expenses in future periods.                                                 |                   |
| Deferred outflows related to:                                                                                                                                                                                                                                           |                   |
| Pension items                                                                                                                                                                                                                                                           | \$ 4,303,851      |
| OPEB items                                                                                                                                                                                                                                                              | 335,005           |
|                                                                                                                                                                                                                                                                         | 4,638,856         |
| Deferred inflows related to:                                                                                                                                                                                                                                            |                   |
| Pension items                                                                                                                                                                                                                                                           | \$ (525,376)      |
| OPEB items                                                                                                                                                                                                                                                              | (94,256)          |
|                                                                                                                                                                                                                                                                         | (619,632)         |
| Long-term liabilities, including bonds payable and grant repayment liabilities, are not due and payable in the current period and therefore, are not reported in the funds. All liabilities--both current and long-term--are reported in the statement of net position. | (35,036,271)      |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.                                                                                                                                                   | (218,972)         |
| Net position of General Government Activities                                                                                                                                                                                                                           | <u>\$ 940,919</u> |

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2020

|                                                           | General       | Meals<br>Tax<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------------------------------|---------------|----------------------|--------------------------------------------|--------------------------------|
| Revenues:                                                 |               |                      |                                            |                                |
| General property taxes                                    | \$ 9,335,603  | \$ -                 | \$ -                                       | \$ 9,335,603                   |
| Other local taxes                                         | 5,480,804     | 1,960,507            | -                                          | 7,441,311                      |
| Permits, privilege fees and regulatory licenses           | 109,659       | -                    | -                                          | 109,659                        |
| Fines and forfeitures                                     | 99,924        | -                    | -                                          | 99,924                         |
| Revenue from use of money and property                    | 1,153,163     | -                    | 53,418                                     | 1,206,581                      |
| Charges for services                                      | 2,386,857     | -                    | -                                          | 2,386,857                      |
| Miscellaneous                                             | 476,355       | -                    | 75,458                                     | 551,813                        |
| Recovered costs                                           | 2,312,618     | -                    | -                                          | 2,312,618                      |
| Intergovernmental:                                        |               |                      |                                            |                                |
| Commonwealth                                              | 10,385,366    | -                    | 124,641                                    | 10,510,007                     |
| Federal                                                   | 838,308       | 373,384              | 387,260                                    | 1,598,952                      |
| Total revenues                                            | \$ 32,578,657 | \$ 2,333,891         | \$ 640,777                                 | \$ 35,553,325                  |
| Expenditures:                                             |               |                      |                                            |                                |
| Current:                                                  |               |                      |                                            |                                |
| General government administration                         | \$ 4,574,168  | \$ 55,112            | \$ 561,712                                 | \$ 5,190,992                   |
| Judicial administration                                   | 2,513,322     | -                    | -                                          | 2,513,322                      |
| Public safety                                             | 10,558,326    | -                    | 816,925                                    | 11,375,251                     |
| Public works                                              | 4,944,151     | -                    | 528,154                                    | 5,472,305                      |
| Health and welfare                                        | 1,186,193     | -                    | -                                          | 1,186,193                      |
| Education                                                 | 5,157,042     | -                    | -                                          | 5,157,042                      |
| Parks, recreation, and cultural                           | 855,004       | -                    | -                                          | 855,004                        |
| Community development                                     | 2,926,744     | -                    | 137,800                                    | 3,064,544                      |
| Debt service:                                             |               |                      |                                            |                                |
| Principal retirement                                      | -             | 1,055,439            | 234,800                                    | 1,290,239                      |
| Interest and other fiscal charges                         | -             | 466,548              | 38,497                                     | 505,045                        |
| Total expenditures                                        | \$ 32,714,950 | \$ 1,577,099         | \$ 2,317,888                               | \$ 36,609,937                  |
| Excess (deficiency) of revenues over (under) expenditures | \$ (136,293)  | \$ 756,792           | \$ (1,677,111)                             | \$ (1,056,612)                 |
| Other financing sources (uses):                           |               |                      |                                            |                                |
| Capital lease proceeds                                    | \$ -          | \$ -                 | \$ 1,214,500                               | \$ 1,214,500                   |
| Transfers in                                              | 1,273,123     | -                    | 1,366,048                                  | 2,639,171                      |
| Transfers (out)                                           | (418,031)     | (673,645)            | -                                          | (1,091,676)                    |
| Total other financing sources (uses)                      | \$ 855,092    | \$ (673,645)         | \$ 2,580,548                               | \$ 2,761,995                   |
| Changes in fund balances                                  | \$ 718,799    | \$ 83,147            | \$ 903,437                                 | \$ 1,705,383                   |
| Fund balances at beginning of year                        | 6,242,154     | 475,359              | 129,845                                    | 6,847,358                      |
| Fund balances at end of year                              | \$ 6,960,953  | \$ 558,506           | \$ 1,033,282                               | \$ 8,552,741                   |

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities - Governmental Funds  
For the Year Ended June 30, 2020

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                    | <u>Primary<br/>Governmental<br/>Funds</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------------|
| Amounts reported for governmental activities in the Statement of Activities are different because:                                                                                                                                                                                                                                                                                                                                                                                                     |                    |                                           |
| Net change in fund balances - total governmental funds                                                                                                                                                                                                                                                                                                                                                                                                                                                 | \$                 | 1,705,383                                 |
| 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 depreciation exceeded capital outlays in the current year.                                                                                                                                                                                            |                    |                                           |
| Capital outlays                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | \$ 862,813         |                                           |
| Depreciation expense                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <u>(1,208,839)</u> | (346,026)                                 |
| Inventory of land and buildings held for resale sold during the year                                                                                                                                                                                                                                                                                                                                                                                                                                   |                    | (10,861)                                  |
| Transfer of joint tenancy assets from Primary Government to the Component Unit                                                                                                                                                                                                                                                                                                                                                                                                                         |                    | (903,439)                                 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of the following:                                                                                                                                                                                                                                                                                                                      |                    |                                           |
| Change in unavailable tax revenue                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | \$ 255,561         |                                           |
| Change in deferred inflows related to the measurement of:                                                                                                                                                                                                                                                                                                                                                                                                                                              |                    |                                           |
| Pension items                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 87,817             |                                           |
| OPEB items                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <u>17,418</u>      | 360,796                                   |
| The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, similar items when obligations are first issued, whereas these amounts are deferred and amortized in the statement of activities. |                    |                                           |
| Details supporting this adjustment are as follows:                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                    |                                           |
| Capital lease proceeds                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | \$ (1,214,500)     |                                           |
| Principal retired on debt on state literary fund loans                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 375,000            |                                           |
| Principal retired on general obligation bonds                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 386,800            |                                           |
| Principal retired on VPA subsidy bonds                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 528,439            |                                           |
| Repayment of grant funds                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <u>156,000</u>     | 231,739                                   |
| 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. The following is a summary of items supporting this adjustment:                                                                                                                                                                                                                                                     |                    |                                           |
| Change in compensated absences                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$ (30,581)        |                                           |
| Change in deferred outflows related to:                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                    |                                           |
| Pension items                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 2,419,001          |                                           |
| OPEB items                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (19,854)           |                                           |
| Change in net pension liability                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | (4,098,933)        |                                           |
| Change in net OPEB liability - group life insurance                                                                                                                                                                                                                                                                                                                                                                                                                                                    | (55,536)           |                                           |
| Change in total Pay-as-you-Go OPEB liability                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 86,242             |                                           |
| Change in accrued interest payable                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <u>(1,816)</u>     | (1,701,477)                               |
| Change in net position of governmental activities                                                                                                                                                                                                                                                                                                                                                                                                                                                      | \$                 | <u>(663,885)</u>                          |

The accompanying notes to financial statements are an integral part of this statement.

Proprietary Funds  
Statement of Net Position  
At June 30, 2020

|                                                                   | Electric<br>Fund | Water<br>Fund | Sewer<br>Fund | Refuse<br>Collection/<br>Landfill<br>Fund | Total         |
|-------------------------------------------------------------------|------------------|---------------|---------------|-------------------------------------------|---------------|
| <b>ASSETS</b>                                                     |                  |               |               |                                           |               |
| <b>Current Assets:</b>                                            |                  |               |               |                                           |               |
| Cash and cash equivalents                                         | \$ 2,505,507     | \$ 2,628,150  | \$ 1,740,360  | \$ 4,712,005                              | \$ 11,586,022 |
| Cash and cash equivalents - restricted                            | 443,412          | 59,437        | -             | -                                         | 502,849       |
| Receivables (net of allowance<br>for uncollectibles):             | 2,487,891        | 440,975       | 419,861       | 246,808                                   | 3,595,535     |
| Inventory                                                         | 1,156,846        | 213,380       | -             | -                                         | 1,370,226     |
| Total current assets                                              | \$ 6,593,656     | \$ 3,341,942  | \$ 2,160,221  | \$ 4,958,813                              | \$ 17,054,632 |
| <b>Noncurrent Assets</b>                                          |                  |               |               |                                           |               |
| Capital assets:                                                   |                  |               |               |                                           |               |
| Land                                                              | \$ -             | \$ 658,224    | \$ 25,400     | \$ -                                      | \$ 683,624    |
| Buildings and improvements                                        | 586,744          | 1,993,728     | 1,230,905     | 2,967,861                                 | 6,779,238     |
| Equipment                                                         | 3,315,252        | 1,770,936     | 2,464,660     | 2,191,436                                 | 9,742,284     |
| Infrastructure                                                    | 38,663,877       | 15,973,298    | 35,416,148    | -                                         | 90,053,323    |
| Accumulated depreciation                                          | (25,215,469)     | (12,694,756)  | (17,771,861)  | (3,027,611)                               | (58,709,697)  |
| Total capital assets (net of<br>accumulated depreciation)         | \$ 17,350,404    | \$ 7,701,430  | \$ 21,365,252 | \$ 2,131,686                              | \$ 48,548,772 |
| Total assets                                                      | \$ 23,944,060    | \$ 11,043,372 | \$ 23,525,473 | \$ 7,090,499                              | \$ 65,603,404 |
| <b>Deferred Outflows of Resources</b>                             |                  |               |               |                                           |               |
| Items related to:                                                 |                  |               |               |                                           |               |
| Pension                                                           | \$ 243,563       | \$ 221,138    | \$ 352,364    | \$ 88,804                                 | \$ 905,869    |
| OPEB                                                              | 20,431           | 14,462        | 29,069        | 7,167                                     | 71,129        |
| Total deferred outflows of resources                              | \$ 263,994       | \$ 235,600    | \$ 381,433    | \$ 95,971                                 | \$ 976,998    |
| Total assets and deferred outflows of resources                   | \$ 24,208,054    | \$ 11,278,972 | \$ 23,906,906 | \$ 7,186,470                              | \$ 66,580,402 |
| <b>LIABILITIES</b>                                                |                  |               |               |                                           |               |
| <b>Current liabilities:</b>                                       |                  |               |               |                                           |               |
| Accounts payable                                                  | \$ 1,664,297     | \$ 43,710     | \$ 156,759    | \$ 105,415                                | \$ 1,970,181  |
| Customers' deposits                                               | 443,412          | 59,437        | -             | -                                         | 502,849       |
| Interest payable                                                  | 40,532           | 22,606        | 386           | 7,540                                     | 71,064        |
| Current portion of long-term obligations                          | 269,611          | 187,143       | 659,239       | 123,036                                   | 1,239,029     |
| Total current liabilities                                         | \$ 2,417,852     | \$ 312,896    | \$ 816,384    | \$ 235,991                                | \$ 3,783,123  |
| <b>Noncurrent liabilities:</b>                                    |                  |               |               |                                           |               |
| Noncurrent portion of long-term obligations                       | 5,156,546        | 3,077,862     | 17,907,422    | 3,145,052                                 | 29,286,882    |
| Total liabilities                                                 | \$ 7,574,398     | \$ 3,390,758  | \$ 18,723,806 | \$ 3,381,043                              | \$ 33,070,005 |
| <b>Deferred Inflows of Resources</b>                              |                  |               |               |                                           |               |
| Items related to:                                                 |                  |               |               |                                           |               |
| Pension                                                           | \$ 59,657        | \$ 22,173     | \$ 117,246    | \$ 14,263                                 | \$ 213,339    |
| OPEB                                                              | 6,021            | 3,821         | 8,405         | 2,022                                     | 20,269        |
| Total deferred inflows of resources:                              | \$ 65,678        | \$ 25,994     | \$ 125,651    | \$ 16,285                                 | \$ 233,608    |
| <b>NET POSITION</b>                                               |                  |               |               |                                           |               |
| Net investment in capital assets                                  | \$ 13,357,404    | \$ 5,474,430  | \$ 4,872,611  | \$ 1,592,456                              | \$ 25,296,901 |
| Unrestricted                                                      | 3,210,574        | 2,387,790     | 184,838       | 2,196,686                                 | 7,979,888     |
| Total net position                                                | \$ 16,567,978    | \$ 7,862,220  | \$ 5,057,449  | \$ 3,789,142                              | \$ 33,276,789 |
| Total liabilities, deferred inflows of resources and net position | \$ 24,208,054    | \$ 11,278,972 | \$ 23,906,906 | \$ 7,186,470                              | \$ 66,580,402 |

The accompanying notes to financial statements are an integral part of this statement.

Proprietary Funds  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2020

|                                           | Electric<br>Fund | Water<br>Fund | Sewer<br>Fund | Refuse<br>Collection/<br>Landfill<br>Fund | Total         |
|-------------------------------------------|------------------|---------------|---------------|-------------------------------------------|---------------|
| <b>Operating revenues:</b>                |                  |               |               |                                           |               |
| Charges for services                      | \$ 19,183,434    | \$ 3,383,904  | \$ 4,663,555  | \$ 1,721,013                              | \$ 28,951,906 |
| Miscellaneous                             | 68,175           | 181,876       | 11,782        | 713,346                                   | 975,179       |
| Total operating revenues                  | \$ 19,251,609    | \$ 3,565,780  | \$ 4,675,337  | \$ 2,434,359                              | \$ 29,927,085 |
| <b>Operating expenses:</b>                |                  |               |               |                                           |               |
| Personnel services                        | \$ 715,685       | \$ 569,692    | \$ 989,152    | \$ 258,098                                | \$ 2,532,627  |
| Fringe benefits                           | 216,134          | 192,475       | 411,742       | 154,860                                   | 975,211       |
| Contractual services                      | 298,067          | 275,260       | 344,716       | 169,600                                   | 1,087,643     |
| Other charges                             | 15,505,781       | 942,999       | 1,770,143     | 1,168,341                                 | 19,387,264    |
| Depreciation                              | 607,099          | 321,785       | 686,013       | 191,604                                   | 1,806,501     |
| Total operating expenses                  | \$ 17,342,766    | \$ 2,302,211  | \$ 4,201,766  | \$ 1,942,503                              | \$ 25,789,246 |
| <b>Operating income (loss)</b>            | \$ 1,908,843     | \$ 1,263,569  | \$ 473,571    | \$ 491,856                                | \$ 4,137,839  |
| <b>Nonoperating revenues (expenses):</b>  |                  |               |               |                                           |               |
| Interest income                           | \$ -             | \$ -          | \$ 27,638     | \$ -                                      | \$ 27,638     |
| Loss on disposal of asset                 | -                | -             | (389,780)     | -                                         | (389,780)     |
| Interest expense                          | (102,209)        | (57,495)      | (928)         | (16,880)                                  | (177,512)     |
| Total nonoperating revenues<br>(expenses) | \$ (102,209)     | \$ (57,495)   | \$ (363,070)  | \$ (16,880)                               | \$ (539,654)  |
| <b>Income (loss) before transfers</b>     | \$ 1,806,634     | \$ 1,206,074  | \$ 110,501    | \$ 474,976                                | \$ 3,598,185  |
| <b>Transfers:</b>                         |                  |               |               |                                           |               |
| Transfers (out)                           | -                | (1,274,372)   | -             | (273,123)                                 | (1,547,495)   |
| <b>Change in net position</b>             | \$ 1,806,634     | \$ (68,298)   | \$ 110,501    | \$ 201,853                                | \$ 2,050,690  |
| <b>Net position at beginning of year</b>  | 14,761,344       | 7,930,518     | 4,946,948     | 3,587,289                                 | 31,226,099    |
| <b>Net position at end of year</b>        | \$ 16,567,978    | \$ 7,862,220  | \$ 5,057,449  | \$ 3,789,142                              | \$ 33,276,789 |

The accompanying notes to financial statements are an integral part of this statement.

Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2020

|                                                                                                           | Electric<br>Fund | Water<br>Fund  | Sewer<br>Fund | Refuse<br>Collection/<br>Landfill<br>Fund | Total          |
|-----------------------------------------------------------------------------------------------------------|------------------|----------------|---------------|-------------------------------------------|----------------|
| <b>Cash Flows From Operating Activities:</b>                                                              |                  |                |               |                                           |                |
| Receipts from customers and users                                                                         | \$ 18,987,815    | \$ 3,554,528   | \$ 4,606,597  | \$ 2,403,568                              | \$ 29,552,508  |
| Payments to suppliers and other operating expenses                                                        | (14,448,161)     | (1,215,011)    | (2,518,389)   | (1,701,717)                               | (19,883,278)   |
| Payments to employees (including fringe benefits)                                                         | (912,306)        | (741,425)      | (1,339,940)   | (365,353)                                 | (3,359,024)    |
| Net cash provided by (used for) operating activities                                                      | \$ 3,627,348     | \$ 1,598,092   | \$ 748,268    | \$ 336,498                                | \$ 6,310,206   |
| <b>Cash Flows From Capital and Related Financing Activities:</b>                                          |                  |                |               |                                           |                |
| Purchase and construction of capital assets                                                               | \$ (1,899,663)   | \$ (152,396)   | \$ (598,381)  | \$ (251,728)                              | \$ (2,902,168) |
| Issuance of water and sewer revenue bonds                                                                 | -                | -              | 303,526       | -                                         | 303,526        |
| Retirement of general obligation bonds                                                                    | (20,000)         | -              | (17,232)      | (117,768)                                 | (155,000)      |
| Retirement of revenue bonds                                                                               | -                | -              | (634,336)     | -                                         | (634,336)      |
| Retirement of capital lease obligations                                                                   | (245,000)        | (171,000)      | -             | -                                         | (416,000)      |
| Interest expense                                                                                          | (104,879)        | (59,231)       | (928)         | (17,371)                                  | (182,409)      |
| Net cash provided by (used for) capital and related financing activities                                  | \$ (2,269,542)   | \$ (382,627)   | \$ (947,351)  | \$ (386,867)                              | \$ (3,986,387) |
| <b>Cash Flows From Noncapital Financing Activities:</b>                                                   |                  |                |               |                                           |                |
| Transfers                                                                                                 | \$ -             | \$ (1,274,372) | \$ -          | \$ (273,123)                              | \$ (1,547,495) |
| Net cash provided by (used for) noncapital financing activities                                           | \$ -             | \$ (1,274,372) | \$ -          | \$ (273,123)                              | \$ (1,547,495) |
| <b>Cash Flows From Investing Activities:</b>                                                              |                  |                |               |                                           |                |
| Interest income                                                                                           | \$ -             | \$ -           | \$ 27,638     | \$ -                                      | \$ 27,638      |
| <b>Net Increase (decrease) in cash and cash equivalents</b>                                               | \$ 1,357,806     | \$ (58,907)    | \$ (171,445)  | \$ (323,492)                              | \$ 803,962     |
| <b>Cash and cash equivalents at beginning of year</b>                                                     | 1,591,113        | 2,746,494      | 1,911,805     | 5,035,497                                 | 11,284,909     |
| <b>Cash and cash equivalents at end of year</b>                                                           | \$ 2,948,919     | \$ 2,687,587   | \$ 1,740,360  | \$ 4,712,005                              | \$ 12,088,871  |
| <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b> |                  |                |               |                                           |                |
| Operating income (loss)                                                                                   | \$ 1,908,843     | \$ 1,263,569   | \$ 473,571    | \$ 491,856                                | \$ 4,137,839   |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities:        |                  |                |               |                                           |                |
| Depreciation                                                                                              | \$ 607,099       | \$ 321,785     | \$ 686,013    | \$ 191,604                                | \$ 1,806,501   |
| Changes in operating activities:                                                                          |                  |                |               |                                           |                |
| (Increase) decrease in:                                                                                   |                  |                |               |                                           |                |
| Accounts receivable                                                                                       | (354,626)        | (23,434)       | (68,740)      | (30,791)                                  | (477,591)      |
| Inventory                                                                                                 | (57,288)         | (33,074)       | -             | -                                         | (90,362)       |
| Increase (decrease) in:                                                                                   |                  |                |               |                                           |                |
| Accounts payable                                                                                          | 1,412,975        | 36,322         | (403,530)     | (2,906)                                   | 1,042,861      |
| Deferred outflows of resources                                                                            | (138,709)        | (151,252)      | (195,069)     | (34,806)                                  | (519,836)      |
| Deferred inflows of resources                                                                             | (41,901)         | (33,277)       | (8,651)       | (6,142)                                   | (89,971)       |
| Net pension liability                                                                                     | 208,405          | 220,700        | 262,709       | 83,298                                    | 775,112        |
| Net OPEB liability - group life insurance                                                                 | 3,569            | 2,230          | 4,968         | 1,192                                     | 11,959         |
| Total Pay-as-you-Go OPEB liability                                                                        | (24,278)         | (31,225)       | (4,923)       | 3,668                                     | (56,758)       |
| Compensated absences                                                                                      | 12,427           | 13,566         | 1,920         | 395                                       | 28,308         |
| Landfill closure and post-closure liability                                                               | -                | -              | -             | (360,870)                                 | (360,870)      |
| Customer deposits                                                                                         | 90,832           | 12,182         | -             | -                                         | 103,014        |
| Total adjustments                                                                                         | \$ 1,718,505     | \$ 334,523     | \$ 274,697    | \$ (155,358)                              | \$ 2,172,367   |
| Net cash provided by (used for) operating activities                                                      | \$ 3,627,348     | \$ 1,598,092   | \$ 748,268    | \$ 336,498                                | \$ 6,310,206   |

The accompanying notes to financial statements are an integral part of this statement.

Statement of Fiduciary Net Position  
Agency Funds  
At June 30, 2020

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|                            | <b>Agency<br/>Funds</b>  |
|----------------------------|--------------------------|
|                            | <hr/>                    |
| <b>ASSETS</b>              |                          |
| Cash and cash equivalents  | \$ 1,537,108             |
| Due from other governments | <hr/> 57,586             |
| Total assets               | \$ <hr/> <hr/> 1,594,694 |
| <b>LIABILITIES</b>         |                          |
| Accounts payable           | \$ 220,131               |
| Amounts held for others    | <hr/> 1,374,563          |
| Total liabilities          | \$ <hr/> <hr/> 1,594,694 |

The accompanying notes to financial statements are an integral part of this statement.

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## CITY OF MARTINSVILLE, VIRGINIA

### Notes to Financial Statements As of June 30, 2020

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

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The City of Martinsville, Virginia (the "City") was incorporated in 1940 and its current Charter was granted in 1942. The City operates under a Council/Manager form of government. The Council consists of a Mayor and four (4) council members. The Council is responsible for appointing the City Manager. The City provides a full range of services as authorized by its Charter. These services include police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities, cultural events, education, social services, water and sewer and electric.

The financial statements of the City of Martinsville, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the more significant of the government's accounting policies are described below.

Management's Discussion and Analysis - The financial statements are required to 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 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 nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund 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 financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. 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.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### **Note 1—Summary of Significant Accounting Policies: (Continued)**

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#### Government-wide and Fund Financial Statements: (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - 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 major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - 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 GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the government's original budget, final budget and actual results.

#### **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 governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the City of Martinsville (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### **Note 1—Summary of Significant Accounting Policies: (Continued)**

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#### **B. Individual Component Unit Disclosures**

*Blended Component Unit.* The City has no blended component units at June 30, 2020.

*Discretely Presented Component Unit School Board.* The School Board members are appointed by the City Council and are responsible for the operations of the City's School System within the City boundaries. The School Board is fiscally dependent on the City. The City has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the City. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the City financial statements for the fiscal year ended June 30, 2020.

#### **C. Other Related Organizations**

Included in the City's Financial Report

None

Excluded from the City's Financial Report

Blue Ridge Regional Library — The Blue Ridge Regional Library is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The counties of Henry and Patrick and the City provide the financial support for the Library and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Library's funding or has oversight responsibility over its operations. The City holds assets in a custodial capacity for the Library. These assets are accounted for as an agency fund on the City's financial statements.

Henry-Martinsville Social Services Board — The Henry-Martinsville Social Services Board is considered a component unit of Henry County and therefore its operations are not included in the City's financial statements. Henry County and the City provide the financial support for the Board and appoint its governing Board. Henry County appoints 6 members of the Board and the City appoints 3 members.

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles 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 as soon as all eligibility requirements imposed by the provider have been met.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### **Note 1—Summary of Significant Accounting Policies: (Continued)**

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#### **D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)**

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.

Generally, the effect of interfund activity has been eliminated from the City's government-wide financial statements for internal service funds. Exceptions to our general rule are payments-in-lieu of taxes where the amounts are equivalent to interfund services provided and other charges between the government's proprietary funds and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month 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 earned or at the time of the specific expenditures. 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.

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)**

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The City reports the following governmental funds.

The General Fund is the primary operating fund of the City. This fund is used to account for and report all financial resources except those required to be accounted for and reported 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 Component Unit School Board.

The Meals Tax fund is a Capital Projects Fund of the City. This fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for the acquisition or construction of major capital facilities.

The City reports the following nonmajor governmental funds:

Special Revenue Funds: Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The nonmajor Special Revenue Fund is the City Grants Fund.

Capital Projects Funds - The Capital Projects Funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The only nonmajor Capital Projects Fund is the Capital Reserve Fund.

2. Proprietary Funds – account for operations that are financed in a manner similar to 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.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Enterprise Funds – Enterprise funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the electric, water, sewer and refuse collection/landfill funds as major enterprise funds.

Fiduciary Funds – (Trust and Agency 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. These funds include Agency Funds. Agency funds utilize the accrual basis of accounting to recognize receivables and payables. Fiduciary funds are not included in the government-wide financial statements. Agency funds include the Insurance Trust Fund, Inmate Welfare Fund, Police Academy Fund, Southern Virginia Recreation Facility Authority Fund, Blue Ridge Regional Library Fund, and Dan River ASAP Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's Electric, Water, Sewer, and Refuse Collection/Landfill funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various funds concerned.

#### E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

#### F. Investments

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

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value. Investments in custody of others include unspent bond proceeds and accumulated interest that the City intends to use for the electric and water meter installation projects.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### 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 either “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds” (i.e. the noncurrent portion of interfund 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 \$1,619,190 at June 30, 2020, and is composed of the following:

##### General Fund

|                                            |                   |
|--------------------------------------------|-------------------|
| Allowance for uncollectible property taxes | \$ <u>156,315</u> |
|--------------------------------------------|-------------------|

##### Enterprise Funds

Allowance for uncollectible accounts:

|                                                               |                            |
|---------------------------------------------------------------|----------------------------|
| Electric Fund                                                 | \$ 1,011,048               |
| Water Fund                                                    | 172,835                    |
| Sewer Fund                                                    | 173,361                    |
| Refuse Collection/Landfill Fund                               | <u>105,631</u>             |
| Total allowance for uncollectible accounts – Enterprise funds | \$ <u>1,462,875</u>        |
| Total allowance for uncollectible accounts                    | \$ <u><u>1,619,190</u></u> |

#### 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  | December 5/June 5<br>(50% each date) | December 5th             |
| Lien Date | January 1                            | January 1                |

The City bills and collects its own property taxes.

#### H. Inventory

Inventory consists of expendable supplies held for consumption and commercial and residential property held for resale. Inventories are valued at cost or weighted average cost for the supplies held for consumption.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### I. Prepaid Items

Payments made for services that will benefit periods beyond June 30 are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

#### J. Capital Assets

Capital assets, which include property, plant and equipment and infrastructure, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life 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 assets constructed. No interest was capitalized in the current year.

Property, plant and equipment and infrastructure of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives.

| <u>Assets</u>                                      | <u>Years</u> |
|----------------------------------------------------|--------------|
| Buildings                                          | 40-50        |
| Building improvements                              | 20-40        |
| Furniture, Vehicles, Office and Computer Equipment | 4-10         |
| Buses                                              | 12           |
| Utility plant in service                           | 40-50        |
| Infrastructure                                     | 30           |

#### K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension liability/asset and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension liability and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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**K. Deferred Outflows/Inflows of Resources: (Continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

**L. Pensions**

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

**M. Other Postemployment Benefits (OPEB)**

***Group Life Insurance***

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Plan provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Plan is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Plan OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Plan OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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**M. Other Postemployment Benefits (OPEB): (Continued)**

***Teacher Employee Health Insurance Credit Program***

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher HIC OPEB, and the related HIC OPEB expense, information about the fiduciary net position of the VRS Teacher Employee HIC Plan; and the additions to/deductions from the VRS Teacher Employee HIC Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Pay-as-you-Go – Medical Insurance***

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense have been determined on the same basis as they were reported by the plan actuary. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms.

**N. 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. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement. A liability for these amounts is recorded in the governmental funds only if they have matured, for example, as a result of employee retirement.

**O. Unbilled Revenue**

The City bills service charges to customers on a monthly basis. Service charges earned but unbilled are accrued based on the last billing and reported in the financial statements as billed receivables and revenues.

**P. Use of Estimates**

The preparation of financial statements in conformity with generally 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.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### Q. Fund Equity

The City reports fund balance within; the following classifications, which describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

#### R. Net Position

The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### **Note 1—Summary of Significant Accounting Policies: (Continued)**

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#### **R. Net Position**

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

#### **S. Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### **T. Long-term Obligations**

In the government-wide financial statements, 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 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.

#### **U. Component Unit—School Board Capital Asset and Debt Presentation**

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement of its capital assets. That responsibility lies with the City who issues the debt on behalf of the School Board. However, the Code of Virginia requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

In the Statement of Net Position, this scenario presents a dilemma for the City. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net position of the City. The corresponding capital assets are reported as assets of the Component Unit-School Board (title holder), thereby increasing its net position.

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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**U. Component Unit—School Board Capital Asset and Debt Presentation: (Continued)**

The Virginia General Assembly amended the Code of Virginia to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt.

**V. Upcoming Pronouncements**

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### V. Upcoming Pronouncements: (Continued)

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

### Note 2—Stewardship, Compliance, and Accounting:

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The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. On or before April 30th, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 2—Stewardship, Compliance, and Accounting: (Continued)

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4. The Appropriations Ordinance places legal restrictions on expenditures at the Fund level. The appropriation for each Fund can be revised only by the City Council. The City Manager is authorized to transfer budgeted amounts within a specific Fund; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all City units.
8. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

### Note 3—Deposits and Investments:

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#### Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Restricted cash and cash equivalents at June 30, 2020 consist of the following:

|                           | <b>Electric<br/>Fund</b> | <b>Water<br/>Fund</b> | <b>Total</b>      |
|---------------------------|--------------------------|-----------------------|-------------------|
| Proprietary Funds:        |                          |                       |                   |
| Utility customer deposits | \$ 443,412               | \$ 59,437             | \$ 502,849        |
| Total                     | <u>\$ 443,412</u>        | <u>\$ 59,437</u>      | <u>\$ 502,849</u> |

The component unit school board is part of the City's pooled cash and has a net balance in the amount of \$1,999,387 at June 30, 2020.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 4—Due from Other Governments:

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At June 30, 2020, the City has receivables from other governments as follows:

|                                       | <b>Primary<br/>Government</b> | <b>Component<br/>Unit<br/>School Board</b> |
|---------------------------------------|-------------------------------|--------------------------------------------|
| Commonwealth of Virginia:             |                               |                                            |
| Local sales tax                       | \$ 174,585                    | \$ -                                       |
| State sales tax                       | -                             | 185,658                                    |
| Constitutional officer reimbursements | 256,072                       | -                                          |
| Victim witness grants                 | 5,602                         | -                                          |
| Children's services                   | 125,919                       | -                                          |
| Communication taxes                   | 61,276                        | -                                          |
| Auto rental tax                       | 7,540                         | -                                          |
| VDOT highway construction             | 495,314                       | -                                          |
| Erate                                 | -                             | 492,372                                    |
| Miscellaneous                         | 41,970                        | -                                          |
| Federal Government:                   |                               |                                            |
| Federal tax credit subsidy            | 187,419                       | -                                          |
| Police/Byrne/JAG                      | 19,357                        | -                                          |
| Brownfields                           | 7,345                         | -                                          |
| Appalachian Regional Commission       | 43,283                        | -                                          |
| Victim witness grants                 | 16,807                        | -                                          |
| Miscellaneous grants                  | 11,212                        | -                                          |
| School fund grants                    | -                             | 350,051                                    |
| Other Governments                     | -                             | 19,445                                     |
| Total due from other governments      | <u>\$ 1,453,701</u>           | <u>\$ 1,047,526</u>                        |

### Note 5—Inventory:

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At June 30, 2020, the City has inventory recorded in the various funds as follows:

|                                                      | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> |
|------------------------------------------------------|------------------------------------|-------------------------------------|
| Expendable supplies                                  | \$ 1,293,059                       | \$ 1,370,226                        |
| Land and building inventory held for resale:         |                                    |                                     |
| 75 Commercial & residential lots held for resale     | 1,374,891                          | -                                   |
| 5 Commercial & residential buildings held for resale | 196,562                            | -                                   |
| Totals                                               | <u>\$ 2,864,512</u>                | <u>\$ 1,370,226</u>                 |

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

## Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2020:

### Primary Government:

#### Governmental Activities:

|                                             | Balance<br>July 1, 2019 | Additions    | Deletions    | Balance<br>June 30, 2020 |
|---------------------------------------------|-------------------------|--------------|--------------|--------------------------|
| Capital assets, not being depreciated:      |                         |              |              |                          |
| Land                                        | \$ 4,379,094            | \$ -         | \$ -         | \$ 4,379,094             |
| Total capital assets not being depreciated  | \$ 4,379,094            | \$ -         | \$ -         | \$ 4,379,094             |
| Capital assets being depreciated:           |                         |              |              |                          |
| Buildings and improvements                  | \$ 7,931,855            | \$ -         | \$ -         | \$ 7,931,855             |
| Equipment                                   | 11,078,747              | 862,813      | 276,469      | 11,665,091               |
| Infrastructure                              | 34,731,414              | -            | -            | 34,731,414               |
| Jointly owned assets                        | 9,795,967               | -            | 903,439      | 8,892,528                |
| Total capital assets being depreciated      | \$ 63,537,983           | \$ 862,813   | \$ 1,179,908 | \$ 63,220,888            |
| Accumulated depreciation:                   |                         |              |              |                          |
| Buildings and improvements                  | \$ 4,595,429            | \$ 198,110   | \$ -         | \$ 4,793,539             |
| Equipment                                   | 8,003,343               | 626,369      | 276,469      | 8,353,243                |
| Infrastructure                              | 30,212,156              | 162,047      | -            | 30,374,203               |
| Jointly owned assets                        | 3,535,292               | 222,313      | -            | 3,757,605                |
| Total accumulated depreciation              | \$ 46,346,220           | \$ 1,208,839 | \$ 276,469   | \$ 47,278,590            |
| Total capital assets being depreciated, net | \$ 17,191,763           | \$ (346,026) | \$ 903,439   | \$ 15,942,298            |
| Governmental activities capital assets, net | \$ 21,570,857           | \$ (346,026) | \$ 903,439   | \$ 20,321,392            |

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**Note 6—Capital Assets: (Continued)**

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**Primary Government: (Continued)****Business-type Activities:**

|                                             | <u>Balance</u><br><u>July 1, 2019</u> | <u>Additions</u>    | <u>Deletions</u>  | <u>Balance</u><br><u>June 30, 2020</u> |
|---------------------------------------------|---------------------------------------|---------------------|-------------------|----------------------------------------|
| <b>Electric Fund:</b>                       |                                       |                     |                   |                                        |
| Capital assets being depreciated:           |                                       |                     |                   |                                        |
| Buildings and improvements                  | \$ 586,744                            | \$ -                | \$ -              | \$ 586,744                             |
| Equipment                                   | 3,111,967                             | 545,523             | 342,238           | 3,315,252                              |
| Infrastructure                              | <u>37,309,737</u>                     | <u>1,354,140</u>    | <u>-</u>          | <u>38,663,877</u>                      |
| Total capital assets being depreciated      | <u>\$ 41,008,448</u>                  | <u>\$ 1,899,663</u> | <u>\$ 342,238</u> | <u>\$ 42,565,873</u>                   |
| Accumulated depreciation:                   |                                       |                     |                   |                                        |
| Buildings and improvements                  | \$ 586,744                            | \$ -                | \$ -              | \$ 586,744                             |
| Equipment                                   | 2,550,234                             | 147,755             | 342,238           | 2,355,751                              |
| Infrastructure                              | <u>21,813,630</u>                     | <u>459,344</u>      | <u>-</u>          | <u>22,272,974</u>                      |
| Total accumulated depreciation              | <u>\$ 24,950,608</u>                  | <u>\$ 607,099</u>   | <u>\$ 342,238</u> | <u>\$ 25,215,469</u>                   |
| Total capital assets being depreciated, net | <u>\$ 16,057,840</u>                  | <u>\$ 1,292,564</u> | <u>\$ -</u>       | <u>\$ 17,350,404</u>                   |
| Electric fund capital assets, net           | <u>\$ 16,057,840</u>                  | <u>\$ 1,292,564</u> | <u>\$ -</u>       | <u>\$ 17,350,404</u>                   |

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

## Note 6—Capital Assets: (Continued)

### Primary Government: (Continued)

### Business-type Activities: (Continued)

|                                             | <u>Balance</u><br><u>July 1, 2019</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>June 30, 2020</u> |
|---------------------------------------------|---------------------------------------|------------------|------------------|----------------------------------------|
| <b>Water Fund:</b>                          |                                       |                  |                  |                                        |
| Capital assets, not being depreciated:      |                                       |                  |                  |                                        |
| Land and land improvements                  | \$ 658,224                            | \$ -             | \$ -             | \$ 658,224                             |
| Total capital assets not being depreciated  | \$ 658,224                            | \$ -             | \$ -             | \$ 658,224                             |
| Capital assets being depreciated:           |                                       |                  |                  |                                        |
| Buildings and improvements                  | \$ 1,993,728                          | \$ -             | \$ -             | \$ 1,993,728                           |
| Equipment                                   | 1,776,824                             | -                | 5,888            | 1,770,936                              |
| Infrastructure                              | 15,820,902                            | 152,396          | -                | 15,973,298                             |
| Total capital assets being depreciated      | \$ 19,591,454                         | \$ 152,396       | \$ 5,888         | \$ 19,737,962                          |
| Accumulated depreciation:                   |                                       |                  |                  |                                        |
| Buildings and improvements                  | \$ 1,292,683                          | \$ 45,560        | \$ -             | \$ 1,338,243                           |
| Equipment                                   | 1,278,595                             | 58,637           | 5,888            | 1,331,344                              |
| Infrastructure                              | 9,807,581                             | 217,588          | -                | 10,025,169                             |
| Total accumulated depreciation              | \$ 12,378,859                         | \$ 321,785       | \$ 5,888         | \$ 12,694,756                          |
| Total capital assets being depreciated, net | \$ 7,212,595                          | \$ (169,389)     | \$ -             | \$ 7,043,206                           |
| Water fund capital assets, net              | \$ 7,870,819                          | \$ (169,389)     | \$ -             | \$ 7,701,430                           |

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**Note 6—Capital Assets: (Continued)****Primary Government: (Continued)****Business-type Activities: (Continued)**

|                                             | <u>Balance</u><br><u>July 1, 2019</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>June 30, 2020</u> |
|---------------------------------------------|---------------------------------------|------------------|------------------|----------------------------------------|
| <b>Sewer Fund:</b>                          |                                       |                  |                  |                                        |
| Capital assets, not being depreciated:      |                                       |                  |                  |                                        |
| Land and land improvements                  | \$ 25,400                             | \$ -             | \$ -             | \$ 25,400                              |
| Total capital assets not being depreciated  | \$ 25,400                             | \$ -             | \$ -             | \$ 25,400                              |
| Capital assets being depreciated:           |                                       |                  |                  |                                        |
| Buildings and improvements                  | \$ 1,230,905                          | \$ -             | \$ -             | \$ 1,230,905                           |
| Equipment                                   | 2,858,304                             | 361,318          | 754,962          | 2,464,660                              |
| Infrastructure                              | 35,179,085                            | 237,063          | -                | 35,416,148                             |
| Total capital assets being depreciated      | \$ 39,268,294                         | \$ 598,381       | \$ 754,962       | \$ 39,111,713                          |
| Accumulated depreciation:                   |                                       |                  |                  |                                        |
| Buildings and improvements                  | \$ 952,677                            | \$ 18,222        | \$ -             | \$ 970,899                             |
| Equipment                                   | 1,689,369                             | 84,045           | 365,182          | 1,408,232                              |
| Infrastructure                              | 14,808,984                            | 583,746          | -                | 15,392,730                             |
| Total accumulated depreciation              | \$ 17,451,030                         | \$ 686,013       | \$ 365,182       | \$ 17,771,861                          |
| Total capital assets being depreciated, net | \$ 21,817,264                         | \$ (87,632)      | \$ 389,780       | \$ 21,339,852                          |
| Sewer fund capital asset, net               | \$ 21,842,664                         | \$ (87,632)      | \$ 389,780       | \$ 21,365,252                          |

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**Note 6—Capital Assets: (Continued)**

**Primary Government: (Continued)**

**Business-type Activities: (Continued)**

|                                                     | <u>Balance</u><br><u>July 1, 2019</u> | <u>Additions</u>  | <u>Deletions</u> | <u>Balance</u><br><u>June 30, 2020</u> |
|-----------------------------------------------------|---------------------------------------|-------------------|------------------|----------------------------------------|
| <b>Refuse Collection/Landfill Fund:</b>             |                                       |                   |                  |                                        |
| Capital assets, being depreciated:                  |                                       |                   |                  |                                        |
| Buildings and improvements                          | \$ 2,967,861                          | \$ -              | \$ -             | \$ 2,967,861                           |
| Equipment                                           | <u>1,939,708</u>                      | <u>251,728</u>    | <u>-</u>         | <u>2,191,436</u>                       |
| Total capital assets being depreciated              | \$ <u>4,907,569</u>                   | \$ <u>251,728</u> | \$ <u>-</u>      | \$ <u>5,159,297</u>                    |
| Accumulated depreciation:                           |                                       |                   |                  |                                        |
| Buildings and improvements                          | \$ 1,209,308                          | \$ 126,567        | \$ -             | \$ 1,335,875                           |
| Equipment                                           | <u>1,626,699</u>                      | <u>65,037</u>     | <u>-</u>         | <u>1,691,736</u>                       |
| Total accumulated depreciation                      | \$ <u>2,836,007</u>                   | \$ <u>191,604</u> | \$ <u>-</u>      | \$ <u>3,027,611</u>                    |
| Total capital assets being depreciated, net         | \$ <u>2,071,562</u>                   | \$ <u>60,124</u>  | \$ <u>-</u>      | \$ <u>2,131,686</u>                    |
| Refuse collection/landfill fund capital assets, net | <u>\$ 2,071,562</u>                   | <u>\$ 60,124</u>  | <u>\$ -</u>      | <u>\$ 2,131,686</u>                    |
|                                                     | *                                     |                   |                  |                                        |

\*Restated for landfill remediation/post-closure care costs capitalized in prior year.

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

## Note 6—Capital Assets: (Continued)

### Primary Government: (Continued)

### Business-type Activities: (Continued)

|                                             | <u>Balance</u><br><u>July 1, 2019</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>June 30, 2020</u> |
|---------------------------------------------|---------------------------------------|------------------|------------------|----------------------------------------|
| <b>Total Business-type Activities:</b>      |                                       |                  |                  |                                        |
| Capital assets, not being depreciated:      |                                       |                  |                  |                                        |
| Land and land improvements                  | \$ 683,624                            | \$ -             | \$ -             | \$ 683,624                             |
| Total capital assets not being depreciated  | \$ 683,624                            | \$ -             | \$ -             | \$ 683,624                             |
| Capital assets being depreciated:           |                                       |                  |                  |                                        |
| Buildings and improvements                  | \$ 6,779,238                          | \$ -             | \$ -             | \$ 6,779,238                           |
| Equipment                                   | 9,686,803                             | 1,158,569        | 1,103,088        | 9,742,284                              |
| Infrastructure                              | 88,309,724                            | 1,743,599        | -                | 90,053,323                             |
| Total capital assets being depreciated      | \$ 104,775,765                        | \$ 2,902,168     | \$ 1,103,088     | \$ 106,574,845                         |
| Accumulated depreciation:                   |                                       |                  |                  |                                        |
| Buildings and improvements                  | \$ 4,041,412                          | \$ 190,349       | \$ -             | \$ 4,231,761                           |
| Equipment                                   | 7,144,897                             | 355,474          | 713,308          | 6,787,063                              |
| Infrastructure                              | 46,430,195                            | 1,260,678        | -                | 47,690,873                             |
| Total accumulated depreciation              | \$ 57,616,504                         | \$ 1,806,501     | \$ 713,308       | \$ 58,709,697                          |
| Total capital assets being depreciated, net | \$ 47,159,261                         | \$ 1,095,667     | \$ 389,780       | \$ 47,865,148                          |
| Total Business-type capital assets, net     | \$ 47,842,885                         | \$ 1,095,667     | \$ 389,780       | \$ 48,548,772                          |

\*

\*Restated for landfill remediation/post-closure care costs capitalized in prior year.

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**Note 6—Capital Assets: (Continued)**

**Discretely Presented Component Unit—School Board:**

|                                                              | <u>Balance<br/>July 1, 2019</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance<br/>June 30, 2020</u> |
|--------------------------------------------------------------|---------------------------------|------------------|------------------|----------------------------------|
| <b>Discretely Presented<br/>Component Unit-School Board:</b> |                                 |                  |                  |                                  |
| Capital assets, not being depreciated:                       |                                 |                  |                  |                                  |
| Land                                                         | \$ 47,172                       | \$ -             | \$ -             | \$ 47,172                        |
| Capital assets being depreciated:                            |                                 |                  |                  |                                  |
| Buildings and improvements                                   | \$ 8,096,308                    | \$ -             | \$ -             | \$ 8,096,308                     |
| Equipment                                                    | 3,571,612                       | 17,775           | 62,581           | 3,526,806                        |
| Jointly owned assets                                         | 13,940,791                      | 903,439          | -                | 14,844,230                       |
| Total capital assets<br>being depreciated                    | \$ 25,608,711                   | \$ 921,214       | \$ 62,581        | \$ 26,467,344                    |
| Accumulated depreciation:                                    |                                 |                  |                  |                                  |
| Buildings and improvements                                   | \$ 6,252,478                    | \$ 109,390       | \$ -             | \$ 6,361,868                     |
| Equipment                                                    | 2,699,500                       | 190,804          | 62,581           | 2,827,723                        |
| Jointly owned assets                                         | 4,937,007                       | 371,106          | -                | 5,308,113                        |
| Total accumulated depreciation                               | \$ 13,888,985                   | \$ 671,300       | \$ 62,581        | \$ 14,497,704                    |
| Total capital assets being<br>depreciated, net               | \$ 11,719,726                   | \$ 249,914       | \$ -             | \$ 11,969,640                    |
| School Board capital<br>assets, net                          | \$ 11,766,898                   | \$ 249,914       | \$ -             | \$ 12,016,812                    |

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 6—Capital Assets: (Continued)

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The following is a summary of depreciation expense for the year ended June 30, 2020:

Governmental activities:

|                                   |    |                         |
|-----------------------------------|----|-------------------------|
| General government administration | \$ | 112,488                 |
| Judicial administration           |    | 1,159                   |
| Public safety                     |    | 424,222                 |
| Public works                      |    | 309,363                 |
| Health and welfare                |    | 9,596                   |
| Education                         |    | 222,313                 |
| Parks, recreation and cultural    |    | 57,710                  |
| Community development             |    | <u>71,988</u>           |
| Total Governmental activities     | \$ | <u><u>1,208,839</u></u> |

Business-type activities:

|                                |    |                         |
|--------------------------------|----|-------------------------|
| Electric                       | \$ | 607,099                 |
| Water                          |    | 321,785                 |
| Sewer                          |    | 686,013                 |
| Refuse collection / landfill   |    | <u>191,604</u>          |
| Total Business-type activities | \$ | <u><u>1,806,501</u></u> |

|                             |    |                         |
|-----------------------------|----|-------------------------|
| Component Unit School Board | \$ | <u><u>300,194</u></u> * |
|-----------------------------|----|-------------------------|

\* Note accumulated depreciation transferred from the Primary Government to the Component Unit School Board on Jointly owned assets totals \$371,106 for the year ending June 30, 2020 when added to depreciation expense above totals \$671,300 total depreciation per the previous page.

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**Note 7—Interfund Transfers/Obligations:**

Interfund transfers for the year ended June 30, 2020, consisted of the following:

| <u>Fund</u>                  | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| Primary Government:          |                     |                      |
| Governmental Activities:     |                     |                      |
| General Fund                 | \$ 1,273,123        | \$ 418,031           |
| Meals tax                    | -                   | 673,645              |
| Nonmajor governmental funds: |                     |                      |
| Capital reserve              | 1,366,048           | -                    |
| Proprietary Funds:           |                     |                      |
| Water                        | -                   | 1,274,372            |
| Refuse Collection/Landfill   | -                   | 273,123              |
| Total                        | \$ <u>2,639,171</u> | \$ <u>2,639,171</u>  |

Interfund receivables and payable balances relative to working capital loans at June 30, 2020 are presented below:

| <u>Fund</u>                    | <u>Receivables</u> | <u>Payables</u>   |
|--------------------------------|--------------------|-------------------|
| Component Unit - School Board: |                    |                   |
| School Operating Fund          | \$ 253,212         | \$ -              |
| School Grants                  | -                  | 253,212           |
| Total                          | \$ <u>253,212</u>  | \$ <u>253,212</u> |

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

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

## Note 8—Long-Term Obligations:

### Primary Government:

The following is a summary of change in long-term obligations for the fiscal year ended June 30, 2020:

|                                            | <u>Balance<br/>July 1,<br/>2019</u> | <u>Issuances/<br/>Additions</u> | <u>Retirements/<br/>Deletions</u> | <u>Balance<br/>June 30,<br/>2020</u> | <u>Due<br/>Within<br/>One Year</u> |
|--------------------------------------------|-------------------------------------|---------------------------------|-----------------------------------|--------------------------------------|------------------------------------|
| Governmental Activities Obligations:       |                                     |                                 |                                   |                                      |                                    |
| Incurred by City:                          |                                     |                                 |                                   |                                      |                                    |
| Direct borrowings and placements:          |                                     |                                 |                                   |                                      |                                    |
| General obligation bonds                   | \$ 1,033,800                        | \$ -                            | \$ 386,800                        | \$ 647,000                           | \$ 85,100                          |
| Capital lease                              | -                                   | 1,214,500                       | -                                 | 1,214,500                            | 228,131                            |
| Compensated absences                       | 585,338                             | 117,068                         | 86,488                            | 615,918                              | 61,592                             |
| Net pension liability                      | 15,378,134                          | 10,963,167                      | 6,864,234                         | 19,477,067                           | -                                  |
| Net OPEB liability - group life insurance  | 819,694                             | 237,510                         | 181,974                           | 875,230                              | -                                  |
| Total OPEB liability - Pay-as-you-Go       | <u>2,932,270</u>                    | <u>221,160</u>                  | <u>307,402</u>                    | <u>2,846,028</u>                     | <u>-</u>                           |
| Total incurred by City                     | <u>\$ 20,749,236</u>                | <u>\$ 12,753,405</u>            | <u>\$ 7,826,898</u>               | <u>\$ 25,675,743</u>                 | <u>\$ 374,823</u>                  |
| Incurred by School Board:                  |                                     |                                 |                                   |                                      |                                    |
| Direct borrowings and placements:          |                                     |                                 |                                   |                                      |                                    |
| State Literary Fund Loans                  | \$ 750,000                          | \$ -                            | \$ 375,000                        | \$ 375,000                           | \$ 375,000                         |
| VPA subsidy bonds                          | <u>9,045,967</u>                    | <u>-</u>                        | <u>528,439</u>                    | <u>8,517,528</u>                     | <u>701,458</u>                     |
| Total incurred by School Board             | <u>\$ 9,795,967</u>                 | <u>\$ -</u>                     | <u>\$ 903,439</u>                 | <u>\$ 8,892,528</u>                  | <u>\$ 1,076,458</u>                |
| Total Governmental Activities Obligations  | <u>\$ 30,545,203</u>                | <u>\$ 12,753,405</u>            | <u>\$ 8,730,337</u>               | <u>\$ 34,568,271</u>                 | <u>\$ 1,451,281</u>                |
| Business-type Activities Obligations:      |                                     |                                 |                                   |                                      |                                    |
| Direct borrowings and placements:          |                                     |                                 |                                   |                                      |                                    |
| General obligation bonds                   | \$ 712,000                          | \$ -                            | \$ 155,000                        | \$ 557,000                           | \$ 139,000                         |
| Revenue bonds                              | 16,805,680                          | 303,526                         | 634,336                           | 16,474,870                           | 634,336                            |
| Capital lease                              | 6,636,000                           | -                               | 416,000                           | 6,220,000                            | 445,000                            |
| Compensated absences                       | 178,619                             | 64,031                          | 35,724                            | 206,926                              | 20,693                             |
| Net pension liability                      | 3,268,783                           | 1,898,895                       | 1,123,783                         | 4,043,895                            | -                                  |
| Net OPEB liability - group life insurance  | 176,486                             | 51,138                          | 39,179                            | 188,445                              | -                                  |
| Total OPEB liability - Pay-as-you-Go       | 675,730                             | 46,837                          | 103,595                           | 618,972                              | -                                  |
| Landfill closure and post-closure costs    | * <u>2,576,673</u>                  | <u>37,039</u>                   | <u>397,909</u>                    | <u>2,215,803</u>                     | <u>-</u>                           |
| Total Business-type Activities Obligations | <u>\$ 31,029,971</u>                | <u>\$ 2,401,466</u>             | <u>\$ 2,905,526</u>               | <u>\$ 30,525,911</u>                 | <u>\$ 465,693</u>                  |
| Total Primary Government                   | <u>\$ 61,575,174</u>                | <u>\$ 15,154,871</u>            | <u>\$ 11,635,863</u>              | <u>\$ 65,094,182</u>                 | <u>\$ 1,916,974</u>                |

\*Restated for landfill remediation/post-closure care costs capitalized in prior year.

The City's General Fund and Meals Tax Fund are responsible for repaying the City's long-term obligation amounts.

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

## Note 8—Long-Term Obligations: (Continued)

### Primary Government: (Continued)

Annual requirements to amortize city governments' long-term obligations are as follows:

| Year<br>Ending<br>June 30, | Governmental Activities Obligations        |           |               |           | Business-type Activities Obligations    |           |               |          |               |            |
|----------------------------|--------------------------------------------|-----------|---------------|-----------|-----------------------------------------|-----------|---------------|----------|---------------|------------|
|                            | Direct Borrowings and<br>Direct Placements |           |               |           | Direct Borrowings and Direct Placements |           |               |          |               |            |
|                            | General                                    |           |               |           | General                                 |           |               |          |               |            |
|                            | Obligation Bonds                           |           | Capital Lease |           | Obligation Bonds                        |           | Revenue Bonds |          | Capital Lease |            |
|                            | Principal                                  | Interest  | Principal     | Interest  | Principal                               | Interest  | Principal     | Interest | Principal     | Interest   |
| 2021                       | \$ 85,100                                  | \$ 17,793 | \$ 228,131    | \$ 30,368 | \$ 139,000                              | \$ 14,669 | \$ 634,336    | \$ -     | \$ 445,000    | \$ 153,634 |
| 2022                       | 87,400                                     | 15,452    | 238,848       | 19,652    | 41,000                                  | 10,931    | 634,336       | -        | 504,000       | 142,643    |
| 2023                       | 89,800                                     | 13,049    | 243,938       | 14,561    | 43,000                                  | 9,776     | 634,336       | -        | 515,000       | 130,194    |
| 2024                       | 92,300                                     | 10,579    | 249,137       | 9,363     | 44,000                                  | 8,580     | 634,336       | -        | 522,000       | 117,473    |
| 2025                       | 94,800                                     | 8,041     | 254,446       | 4,053     | 45,000                                  | 7,356     | 634,336       | -        | 570,000       | 104,580    |
| 2026                       | 97,500                                     | 5,434     | -             | -         | 46,000                                  | 6,105     | 634,336       | -        | 638,000       | 90,501     |
| 2027                       | 100,100                                    | 2,753     | -             | -         | 48,000                                  | 4,813     | 634,336       | -        | 494,000       | 74,743     |
| 2028                       | -                                          | -         | -             | -         | 49,000                                  | 3,479     | 634,336       | -        | 501,000       | 62,541     |
| 2029                       | -                                          | -         | -             | -         | 50,000                                  | 2,118     | 634,336       | -        | 530,000       | 50,166     |
| 2030                       | -                                          | -         | -             | -         | 52,000                                  | 715       | 634,336       | -        | 561,000       | 37,075     |
| 2031                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | 592,000       | 23,218     |
| 2032                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | 348,000       | 8,596      |
| 2033                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | -             | -          |
| 2034                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | -             | -          |
| 2034                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | -             | -          |
| 2036                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | -             | -          |
| 2037                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | -             | -          |
| 2038                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | -             | -          |
| 2039                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | -             | -          |
| 2040                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | -             | -          |
| 2041                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | -             | -          |
| 2042                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | -             | -          |
| 2043                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | -             | -          |
| 2044                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | -             | -          |
| 2045                       | -                                          | -         | -             | -         | -                                       | -         | 634,336       | -        | -             | -          |
| 2046                       | -                                          | -         | -             | -         | -                                       | -         | 455,763       | -        | -             | -          |
| 2047                       | -                                          | -         | -             | -         | -                                       | -         | 160,707       | -        | -             | -          |
| Total                      | \$ 647,000                                 | \$ 73,101 | \$ 1,214,500  | \$ 77,997 | \$ 557,000                              | \$ 68,542 | \$ 16,474,870 | \$ -     | \$ 6,220,000  | \$ 995,364 |

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**Note 8—Long-Term Obligations: (Continued)**

**Primary Government: (Continued)**

| Year<br>Ending<br>June 30, | Governmental Activities Obligations     |                  |                             |                     |
|----------------------------|-----------------------------------------|------------------|-----------------------------|---------------------|
|                            | Direct Borrowings and Direct Placements |                  |                             |                     |
|                            | School Board Obligations                |                  |                             |                     |
|                            | State Literary<br>Fund Loans            |                  | General<br>Obligation Bonds |                     |
|                            | Principal                               | Interest         | Principal                   | Interest            |
| 2021                       | \$ 375,000                              | \$ 11,250        | \$ 701,458                  | \$ 437,414          |
| 2022                       | -                                       | -                | 1,092,959                   | 432,163             |
| 2023                       | -                                       | -                | 777,465                     | 427,179             |
| 2024                       | -                                       | -                | 780,079                     | 422,065             |
| 2025                       | -                                       | -                | 783,241                     | 416,403             |
| 2026                       | -                                       | -                | 786,569                     | 410,575             |
| 2027                       | -                                       | -                | 790,070                     | 404,574             |
| 2028                       | -                                       | -                | 793,755                     | 398,389             |
| 2029                       | -                                       | -                | 670,644                     | 395,250             |
| 2030                       | -                                       | -                | 670,644                     | 395,250             |
| 2031                       | -                                       | -                | 670,644                     | 197,624             |
| Total                      | \$ <u>375,000</u>                       | \$ <u>11,250</u> | \$ <u>8,517,528</u>         | \$ <u>4,336,886</u> |

## CITY OF MARTINSVILLE, VIRGINIA

### Notes to Financial Statements As of June 30, 2020 (Continued)

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#### Note 8—Long-Term Obligations: (Continued)

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##### Primary Government: (Continued)

###### Incurred by City:

###### Direct Borrowings and Placements:

###### General Obligation Bonds:

|                                                                                                                                                                                                                                                   |            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| \$1,250,000 general obligation bond, Series 2012 issued (for Municipal building renovations) January 26, 2012, maturing in various annual installments of \$76,300 to \$100,100 through February 1, 2027, interest payable semi-annually at 2.75% | \$ 647,000 |
| Total general obligations bonds                                                                                                                                                                                                                   | \$ 647,000 |

###### Capital Lease:

The City has entered into a lease agreement as lessee for financing the acquisition of major equipment. The major equipment cost \$1,214,500 and was acquired with lease financing. Annual requirements to amortize City long-term lease obligations are disclosed within this note. Details of this lease are as follows:

|                                                                                                                                                                                   |               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| \$1,214,500 obligation for the purchase of major equipment, payable in semi-annual installments of \$129,250 beginning July 15, 2020 through January 15, 2025, interest at 2.120% | \$ 1,214,500  |
| Total capital lease obligations                                                                                                                                                   | \$ 1,214,500  |
| Compensated absences                                                                                                                                                              | \$ 615,918    |
| Net pension liability                                                                                                                                                             | \$ 19,477,067 |
| Net OPEB liability - group life insurance                                                                                                                                         | \$ 875,230    |
| Total Pay-as-you-Go OPEB liability                                                                                                                                                | \$ 2,846,028  |
| Total Incurred by City                                                                                                                                                            | \$ 25,675,743 |

###### Incurred by School Board:

###### Direct Borrowings and Placements:

###### State Literary Fund Loan:

|                                                                                                                                                                                               |            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| \$7,500,000 State Literary Fund Loan issued (for Albert Harris Elementary) September 1, 2000, due in annual principal installments of \$375,000 through 2021; interest payable annually at 3% | \$ 375,000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|

###### General Obligation Bonds:

|                                                                                                                                                                                                                        |            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| \$1,936,758 Virginia Public Authority Subsidy Bonds issued (for Patrick Henry Elementary School) November 1, 2007, due in annual installments of varying amounts through 2028; interest payable semi-annually at 4.38% | \$ 893,238 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|

|                                                                                                                                                                                                                                                                 |               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| \$9,300,000 Qualified School Construction Bonds issued (for renovations to Martinsville High School) December 15, 2011, due in annual installments of varying amounts through December 1, 2030 interest free as a federal tax credit is provided to bondholders | 7,624,290     |
| Total general obligation bonds                                                                                                                                                                                                                                  | \$ 8,517,528  |
| Total Incurred by the School Board                                                                                                                                                                                                                              | \$ 8,892,528  |
| Total Governmental Activities Obligations                                                                                                                                                                                                                       | \$ 34,568,271 |

## CITY OF MARTINSVILLE, VIRGINIA

### Notes to Financial Statements As of June 30, 2020 (Continued)

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#### Note 8—Long-Term Obligations: (Continued)

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##### Primary Government: (Continued)

###### Business-type Activities Obligations:

###### Direct Borrowings and Placements:

###### Revenue Bonds:

\$10,000,000 water and sewer revenue bonds series 2016 bonds maturing in various semi-annual installments of \$178,571 beginning May 1, 2018 through November 1, 2045, interest payable at 0.00%. At June 30, 2017 only \$7,036,786 has been received of this loan. \$ 9,107,142

\$7,900,000 water and sewer revenue bonds series 2017 bonds maturing in various semi-annual installments of \$138,596 beginning April 1, 2019 through April 1, 2047, interest payable at 0.00%. At June 30, 2017 only \$29,590 has been received of this loan. 7,367,728

Total revenue bonds \$ 16,474,870

###### General Obligation Bonds:

\$679,000 capital-related general obligation refunding series 2014B bonds maturing in various annual installments of \$36,000 to \$52,000 through July 15, 2029, interest payable semi-annually at 2.37% \$ 458,000

\$880,000 capital-related general obligation series 2010 bonds maturing in various annual installments of \$76,000 to \$99,000 through February 1, 2021, interest payable semi-annually at 2.65% 99,000

Total general obligation bonds \$ 557,000

###### Capital Lease:

The City entered into a lease agreement as lessee for financing the acquisition of various water and electric meters. The meters costs \$7,425,000 which included issuance costs. Annual requirements to amortize City long-term lease obligations are disclosed within this note. Details of this lease are as follows:

\$7,425,000 obligation for the purchase of a utility meters for electric and water, payable in various annual installments of \$348,000 to \$638,000 beginning February 1, 2018 through February 1, 2032, interest at 2.46% \$ 6,220,000

Compensated absences \$ 206,926

Net pension liability \$ 4,043,895

Net OPEB liability - group life insurance \$ 188,445

Total Pay-as-you-Go OPEB liability \$ 618,972

Landfill closure and postclosure costs \$ 2,215,803

Total Business-type Activities Obligations \$ 30,525,911

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

### Note 8—Long-Term Obligations: (Continued)

#### Primary Government: (Continued)

In the event of default for any general obligation bond, including the State Literary Fund Loan, the Commonwealth of Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 15.2-2659 of the Code of Virginia, 1950 as amended.

Revenue bonds totaling \$16,474,870 contain a provision that, in the event of default, the Lender may declare the entire unpaid principal and interest on the issuance as due and payable.

#### Discretely Presented Component Unit-School Board

The following is a summary of changes in long-term obligations of the Discretely Presented Component Unit-School Board for the fiscal year ended June 30, 2020:

|                                              | Beginning<br>Balance<br>July 1,<br>2019 | Additions           | Deletions           | Ending<br>Balance<br>June 30,<br>2020 | Amounts<br>Due<br>Within<br>One Year |
|----------------------------------------------|-----------------------------------------|---------------------|---------------------|---------------------------------------|--------------------------------------|
| Net pension liability - nonprofessional      | \$ 1,433,256                            | \$ 419,402          | \$ 303,656          | \$ 1,549,002                          | -                                    |
| Net pension liability - professional         | 16,979,000                              | 6,930,168           | 5,009,276           | 18,899,892                            | -                                    |
| Net OPEB liability - group life insurance    | 972,000                                 | 282,524             | 216,165             | 1,038,359                             | -                                    |
| Net OPEB liability - health insurance credit | 1,833,000                               | 287,859             | 246,232             | 1,874,627                             | -                                    |
| Total Pay-as-you-Go OPEB liability           | 701,000                                 | 80,000              | 88,000              | 693,000                               | -                                    |
| Total                                        | <u>\$ 21,918,256</u>                    | <u>\$ 7,999,953</u> | <u>\$ 5,863,329</u> | <u>\$ 24,054,880</u>                  | <u>\$ -</u>                          |

### Note 9—Landfill Closure and Postclosure Costs:

State and federal laws and regulations require the City to place a final cover on each phase of its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. In accordance with Statement 18 of the Governmental Accounting Standards Board entitled *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, the City reported a liability for a portion of these closure and postclosure care costs based on landfill capacity used. The \$2,215,803 reported as landfill closure and postclosure care liability at June 30, 2020 is based on 100% of the estimated capacity used to date. These amounts are based on what it would cost to perform all closure and postclosure care in 2020. Actual closure and postclosure care costs may be higher due to inflation, changes in technology, or changes in regulations.

The City plans to meet all federal laws, regulations and test of financial assurance related to the financing of closure and postclosure care when they become effective.

The City demonstrated financial assurance requirements for 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 MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 10—Unearned and Deferred/Unavailable Revenue:

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The following is a summary of unearned revenue for the year ended June 30, 2020:

|                                                                                                                                                                                                               | <b>Government-<br/>wide<br/>Statements<br/>Governmental<br/>Activities</b> | <b>Balance<br/>Sheet<br/>Governmental<br/>Funds</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------|
| Deferred/Unavailable revenue:                                                                                                                                                                                 |                                                                            |                                                     |
| Unearned revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures | \$ -                                                                       | \$ 1,731,352                                        |
| Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year                                                                          | 59,514                                                                     | 59,514                                              |
| Total deferred/unavailable revenue                                                                                                                                                                            | \$ 59,514                                                                  | \$ 1,790,866                                        |

### Note 11—Contingent Liabilities:

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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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of this circular all major programs and certain other 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.

### Note 12—Litigation:

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At June 30, 2020, there were no matters of litigation involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to such entities.

### Note 13—Risk Management:

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The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries insurance.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### **Note 13—Risk Management: (Continued)**

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The City is a member of the Virginia Association of Counties Group Self-Insurance Risk Pool (VACORP) for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The City pays VACORP contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The City continues to carry commercial insurance for all other risks of losses. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

### **Note 14—Pension Plan:**

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#### ***Plan Description***

All full-time, salaried permanent employees of the City and (nonprofessional) employees of the public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, several entities whose financial information is not included in the primary government report participate in the VRS plan through the City of Martinsville, Virginia and the participating entities report their proportionate information on the basis of a cost-sharing plan. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

#### ***Benefit Structures***

The System administers three different benefit structures for covered employees – Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 14—Pension Plan: (Continued)

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#### ***Benefit Structures: (Continued)***

- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees 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. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 – April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan 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 equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

#### ***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

#### ***Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits***

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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**Note 14—Pension Plan: (Continued)**

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**Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The City’s contractually required employer contribution rate for the year ended June 30, 2020 was 16.16% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$2,133,317 and \$2,025,957 for the years ended June 30, 2020 and June 30, 2019, respectively.

**Net Pension Liability**

At June 30, 2020, the City reported a liability of \$23,520,962 for its proportionate share of the net pension liability. The City’s net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. In order to allocate the net pension liability to all employers included in the plan, the City is required to determine its proportionate share of the net pension liability. Creditable compensation as of June 30, 2019 and 2018 was used as a basis for allocation to determine the City’s proportionate share of the net pension liability. At June 30, 2019 and 2018, the City’s proportion was 93.00% and 92.39%, respectively.

**Actuarial Assumptions – General Employees**

The total pension liability for General Employees in the City of Martinsville, Virginia’s Retirement Plan and the Component Unit School Board’s (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

|                                       |                                                                      |
|---------------------------------------|----------------------------------------------------------------------|
| Inflation                             | 2.50%                                                                |
| Salary increases, including inflation | 3.50% – 5.35%                                                        |
| Investment rate of return             | 6.75%, net of pension plan investment expenses, including inflation* |

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 14—Pension Plan: (Continued)

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#### **Actuarial Assumptions – General Employees: (Continued)**

Mortality rates:

All Others (Non 10 Largest) – Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Lowered rates                                                                                   |
| Salary Scale                                                            | No change                                                                                       |
| Line of Duty Disability                                                 | Increased rate from 14.00% to 15.00%                                                            |
| Discount Rate                                                           | Decreased rate from 7.00% to 6.75%                                                              |

#### **Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits**

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City of Martinsville, Virginia's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 14—Pension Plan: (Continued)

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#### **Actuarial Assumptions – Public Safety Employees with Hazardous Duty Benefits: (Continued)**

|                                       |                                                                      |
|---------------------------------------|----------------------------------------------------------------------|
| Inflation                             | 2.50%                                                                |
| Salary increases, including inflation | 3.50% – 4.75%                                                        |
| Investment rate of return             | 6.75%, net of pension plan investment expenses, including inflation* |

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Hazardous Duty:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Increased age 50 rates, and lowered rates at older ages                                         |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Adjusted rates to better fit experience                                                         |
| Salary Scale                                                            | No change                                                                                       |
| Line of Duty Disability                                                 | Decreased rate from 60.00% to 45.00%                                                            |
| Discount Rate                                                           | Decreased rate from 7.00% to 6.75%                                                              |

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

## Note 14—Pension Plan: (Continued)

### Long-Term Expected Rate of Return

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

| Asset Class (Strategy)               | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|--------------------------------------|-------------------|----------------------------------------------|----------------------------------------------------|
| Public Equity                        | 34.00%            | 5.61%                                        | 1.91%                                              |
| Fixed Income                         | 15.00%            | 0.88%                                        | 0.13%                                              |
| Credit Strategies                    | 14.00%            | 5.13%                                        | 0.72%                                              |
| Real Assets                          | 14.00%            | 5.27%                                        | 0.74%                                              |
| Private Equity                       | 14.00%            | 8.77%                                        | 1.23%                                              |
| MAPS - Multi-Asset Public Strategies | 6.00%             | 3.52%                                        | 0.21%                                              |
| PIP - Private Investment Partnership | 3.00%             | 6.29%                                        | 0.19%                                              |
| Total                                | 100.00%           |                                              | 5.13%                                              |
|                                      |                   | Inflation                                    | 2.50%                                              |
|                                      |                   | *Expected arithmetic nominal return          | 7.63%                                              |

\* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

### Note 14—Pension Plan: (Continued)

#### **Discount Rate**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the City and Component Unit School Board (nonprofessional) were also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

#### **Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

|                                                                    | Rate                   |                             |                        |
|--------------------------------------------------------------------|------------------------|-----------------------------|------------------------|
|                                                                    | 1% Decrease<br>(5.75%) | Current Discount<br>(6.75%) | 1% Increase<br>(7.75%) |
| City's proportionate share of the<br>Net Pension Liability (Asset) | \$ 35,050,887          | \$ 23,520,960               | \$ 14,269,518          |

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

For the year ended June 30, 2020, the City recognized pension expense of \$3,863,053. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

### Note 14—Pension Plan: (Continued)

#### ***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)***

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                  | <b>Primary Government</b>                     |                                              |
|----------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
|                                                                                  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
| Differences between expected and actual experience                               | \$ 1,264,407                                  | \$ 39,791                                    |
| Change in assumptions                                                            | 1,640,640                                     | -                                            |
| Net difference between projected and actual earnings on pension plan investments | -                                             | 625,896                                      |
| Changes in proportion                                                            | 171,356                                       | 73,028                                       |
| Employer contributions subsequent to the measurement date                        | 2,133,317                                     | -                                            |
| Total                                                                            | <u>\$ 5,209,720</u>                           | <u>\$ 738,715</u>                            |

\$2,133,317 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <b>Year Ended June 30</b> | <b>Primary<br/>Government</b> |
|---------------------------|-------------------------------|
| 2021                      | \$ 1,623,027                  |
| 2022                      | 625,922                       |
| 2023                      | 12,616                        |
| 2024                      | 76,123                        |
| 2025                      | -                             |
| Thereafter                | -                             |

#### ***Pension Plan Data***

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### **Note 14—Pension Plan: (Continued)**

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#### **Component Unit School Board (nonprofessional)**

Additional information related to the plan description, plan contribution requirements, actuarial assumptions, long-term expected rate of return, and discount rate is included in the first section of this note.

#### ***Employees Covered by Benefit Terms***

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

|                                                                      | <b><u>Component Unit<br/>School Board<br/>Nonprofessional</u></b> |
|----------------------------------------------------------------------|-------------------------------------------------------------------|
| Inactive members or their beneficiaries currently receiving benefits | 71                                                                |
| Inactive members:                                                    |                                                                   |
| Vested inactive members                                              | 2                                                                 |
| Non-vested inactive members                                          | 6                                                                 |
| Inactive members active elsewhere in VRS                             | 16                                                                |
| Total inactive members                                               | 24                                                                |
| Active members                                                       | 20                                                                |
| Total covered employees                                              | 115                                                               |

#### ***Contributions***

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2020 was 23.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$94,367 and \$111,670 for the years ended June 30, 2020 and June 30, 2019, respectively.

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

## Note 14—Pension Plan: (Continued)

### Component Unit School Board (nonprofessional) (Continued)

#### *Net Pension Liability*

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The Component Unit School Board's (nonprofessional) net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2018 rolled forward to the measurement date of June 30, 2019.

#### *Changes in Net Pension Liability*

|                                                       | <b>Component School Board (nonprofessional)</b> |                                                    |                                                    |
|-------------------------------------------------------|-------------------------------------------------|----------------------------------------------------|----------------------------------------------------|
|                                                       | <b>Increase (Decrease)</b>                      |                                                    |                                                    |
|                                                       | <b>Total<br/>Pension<br/>Liability<br/>(a)</b>  | <b>Plan<br/>Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net<br/>Pension<br/>Liability<br/>(a) - (b)</b> |
| Balances at June 30, 2018                             | \$ 4,105,154                                    | \$ 2,671,898                                       | \$ 1,433,256                                       |
| Changes for the year:                                 |                                                 |                                                    |                                                    |
| Service cost                                          | \$ 47,066                                       | \$ -                                               | \$ 47,066                                          |
| Interest                                              | 275,813                                         | -                                                  | 275,813                                            |
| Differences between expected<br>and actual experience | 3,332                                           | -                                                  | 3,332                                              |
| Assumption changes                                    | 91,229                                          | -                                                  | 91,229                                             |
| Contributions - employer                              | -                                               | 111,669                                            | (111,669)                                          |
| Contributions - employee                              | -                                               | 22,489                                             | (22,489)                                           |
| Net investment income                                 | -                                               | 169,498                                            | (169,498)                                          |
| Benefit payments, including refunds                   | (329,941)                                       | (329,941)                                          | -                                                  |
| Administrative expenses                               | -                                               | (1,856)                                            | 1,856                                              |
| Other changes                                         | -                                               | (106)                                              | 106                                                |
| Net changes                                           | \$ 87,499                                       | \$ (28,247)                                        | \$ 115,746                                         |
| Balances at June 30, 2019                             | \$ 4,192,653                                    | \$ 2,643,651                                       | \$ 1,549,002                                       |

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**Note 14—Pension Plan: (Continued)****Component Unit School Board (nonprofessional) (Continued)*****Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the net pension liability of the Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the Component Unit School Board's (nonprofessional) net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

|                                               | <b>Rate</b>                    |                                     |                                |
|-----------------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
|                                               | <b>1% Decrease<br/>(5.75%)</b> | <b>Current Discount<br/>(6.75%)</b> | <b>1% Increase<br/>(7.75%)</b> |
| Component Unit School Board (nonprofessional) |                                |                                     |                                |
| Net Pension Liability                         | 1,951,475                      | 1,549,002                           | 1,223,222                      |

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

For the year ended June 30, 2020, the Component Unit School Board (nonprofessional) recognized pension expense of \$235,408. At June 30, 2020, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                  | <b>Component Unit School<br/>Board (nonprofessional)</b> |                                              |
|----------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------|
|                                                                                  | <b>Deferred<br/>Outflows of<br/>Resources</b>            | <b>Deferred<br/>Inflows of<br/>Resources</b> |
| Differences between expected and actual experience                               | \$ 383                                                   | \$ -                                         |
| Change in assumptions                                                            | 10,495                                                   | -                                            |
| Net difference between projected and actual earnings on pension plan investments | -                                                        | 21,600                                       |
| Employer contributions subsequent to the measurement date                        | 94,367                                                   | -                                            |
| Total                                                                            | <u>\$ 105,245</u>                                        | <u>\$ 21,600</u>                             |

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 14—Pension Plan: (Continued)

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#### **Component Unit School Board (nonprofessional) (Continued)**

##### ***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)***

\$94,367 reported as deferred outflows of resources related to pensions resulting from the Component Unit School Board's (nonprofessional) contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | <u>Component Unit<br/>School Board<br/>(nonprofessional)</u> |
|---------------------------|--------------------------------------------------------------|
| 2021                      | \$ 13,297                                                    |
| 2022                      | (25,897)                                                     |
| 2023                      | (244)                                                        |
| 2024                      | 2,122                                                        |
| 2025                      | -                                                            |
| Thereafter                | -                                                            |

#### **Component Unit School Board (professional)**

##### ***Plan Description***

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description is included in the first section of this note.

##### ***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$1,767,607 and \$1,839,146 for the years ended June 30, 2020 and June 30, 2019, respectively.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 14—Pension Plan: (Continued)

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#### Component Unit School Board (professional) (Continued)

##### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2020, the school division reported a liability of \$18,899,892 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was .14361% as compared to .1444% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$1,592,337. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                               | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience                                                            | \$ -                                      | \$ 1,210,239                             |
| Change in assumptions                                                                                         | 1,871,532                                 | -                                        |
| Net difference between projected and actual earnings on pension plan investments                              | -                                         | 414,997                                  |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 24,299                                    | 1,156,793                                |
| Employer contributions subsequent to the measurement date                                                     | <u>1,767,607</u>                          | <u>-</u>                                 |
| Total                                                                                                         | \$ <u><u>3,663,438</u></u>                | \$ <u><u>2,782,029</u></u>               |

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

\$1,767,607 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| Year Ended June 30 |    |           |
|--------------------|----|-----------|
| 2021               | \$ | (550,989) |
| 2022               |    | (733,174) |
| 2023               |    | (168)     |
| 2024               |    | 255,402   |
| 2025               |    | 142,731   |

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

|                                       |                                                                      |
|---------------------------------------|----------------------------------------------------------------------|
| Inflation                             | 2.5%                                                                 |
| Salary increases, including inflation | 3.50% – 5.95%                                                        |
| Investment rate of return             | 6.75%, net of pension plan investment expenses, including inflation* |

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 14—Pension Plan: (Continued)

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#### Component Unit School Board (professional) (Continued)

##### *Actuarial Assumptions: (Continued)*

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Adjusted rates to better match experience                                                       |
| Salary Scale                                                            | No change                                                                                       |
| Discount Rate                                                           | Decreased rate from 7.00% to 6.75%                                                              |

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

### Note 14—Pension Plan: (Continued)

#### Component Unit School Board (professional) (Continued)

##### ***Net Pension Liability***

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

|                                                                               |    | <b>Teacher Employee<br/>Retirement Plan</b> |
|-------------------------------------------------------------------------------|----|---------------------------------------------|
| Total Pension Liability                                                       | \$ | 49,683,336                                  |
| Plan Fiduciary Net Position                                                   |    | 36,522,769                                  |
| Employers' Net Pension Liability (Asset)                                      | \$ | <u>13,160,567</u>                           |
| Plan Fiduciary Net Position as a Percentage<br>of the Total Pension Liability |    | 73.51%                                      |

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

##### ***Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the school division's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

|                                                                                                                  | <b>1% Decrease<br/>(5.75%)</b> | <b>Rate<br/>Current Discount<br/>(6.75%)</b> | <b>1% Increase<br/>(7.75%)</b> |
|------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------------------------|--------------------------------|
| School division's proportionate<br>share of the VRS Teacher<br>Employee Retirement Plan<br>Net Pension Liability | 28,452,549                     | 18,899,892                                   | 11,001,615                     |

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

### Note 14—Pension Plan: (Continued)

#### Component Unit School Board (professional) (Continued)

##### *Pension Plan Fiduciary Net Position*

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

#### Primary Government and Component Unit School Board

##### *Aggregate Pension Information*

|                              | Primary Government          |                  |                               |                 |
|------------------------------|-----------------------------|------------------|-------------------------------|-----------------|
|                              | Deferred Outflows           | Deferred Inflows | Net Pension Liability (Asset) | Pension Expense |
| VRS Pension Plan:            |                             |                  |                               |                 |
| Primary Government           | \$ 5,209,720                | \$ 738,715       | \$ 23,520,960                 | \$ 3,863,053    |
|                              |                             |                  |                               |                 |
|                              | Component Unit School Board |                  |                               |                 |
|                              | Deferred Outflows           | Deferred Inflows | Net Pension Liability (Asset) | Pension Expense |
| VRS Pension Plans:           |                             |                  |                               |                 |
| School Board Nonprofessional | \$ 105,245                  | \$ 21,600        | \$ 1,549,002                  | \$ 235,408      |
| School Board Professional    | 3,663,438                   | 2,782,029        | 18,899,892                    | 1,592,337       |
| Totals                       | \$ 3,768,683                | \$ 2,803,629     | \$ 20,448,894                 | \$ 1,827,745    |

### Note 15—Group Life Insurance (GLI) Plan (OPEB Plan):

#### *Plan Description*

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### **Note 15—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)**

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#### ***Plan Description: (Continued)***

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Plan. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

#### ***Eligible Employees***

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

#### ***Benefit Amounts***

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

#### ***Contributions***

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the entity were \$70,239 and \$67,127 for the years ended June 30, 2020 and June 30, 2019, respectively, for the City; \$2,149 and \$2,543 for the years ended June 30, 2020 and June 30, 2019, respectively, for the component unit school board (nonprofessional); and \$60,638 and \$62,501 for the years ended June 30, 2020 and June 30, 2019, respectively, for the component unit school board (professional).

# CITY OF MARTINSVILLE, VIRGINIA

## Notes to Financial Statements As of June 30, 2020 (Continued)

### Note 15—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

#### **GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB**

At June 30, 2020, liabilities of \$1,063,675, \$40,682, and \$997,677 were reported for the City, component unit school board (nonprofessional), and component unit school board (professional), respectively, for the proportionate shares of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the participating employers' proportions were 0.06584%, 0.00250%, and 0.06131% as compared to 0.06556%, 0.00256%, and 0.06141% at June 30, 2018, for the City, component unit school board (nonprofessional), and component unit school board (professional), respectively.

For the year ended June 30, 2020, the participating employers recognized GLI OPEB expense of \$15,044, \$792, and \$14,119, for the City, component unit school board (nonprofessional), and component unit school board (professional), respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employers reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

|                                                                                      | <b>Primary Government</b>             |                                      | <b>Component Unit School Board (nonprofessional)</b> |                                      | <b>Component Unit School Board (professional)</b> |                                      |
|--------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------|------------------------------------------------------|--------------------------------------|---------------------------------------------------|--------------------------------------|
|                                                                                      | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> | <b>Deferred Outflows of Resources</b>                | <b>Deferred Inflows of Resources</b> | <b>Deferred Outflows of Resources</b>             | <b>Deferred Inflows of Resources</b> |
| Differences between expected and actual experience                                   | \$ 70,741                             | \$ 13,798                            | \$ 2,706                                             | \$ 527                               | \$ 66,351                                         | \$ 12,942                            |
| Net difference between projected and actual earnings on GLI OPEB program investments | -                                     | 21,849                               | -                                                    | 836                                  | -                                                 | 20,493                               |
| Change in assumptions                                                                | 67,154                                | 32,074                               | 2,568                                                | 1,227                                | 62,988                                            | 30,084                               |
| Changes in proportion                                                                | -                                     | 37,804                               | -                                                    | 800                                  | -                                                 | 35,604                               |
| Employer contributions subsequent to the measurement date                            | 70,239                                | -                                    | 2,149                                                | -                                    | 60,638                                            | -                                    |
| Total                                                                                | <u>\$ 208,134</u>                     | <u>\$ 105,525</u>                    | <u>\$ 7,423</u>                                      | <u>\$ 3,390</u>                      | <u>\$ 189,977</u>                                 | <u>\$ 99,123</u>                     |

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

## Note 15—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

### ***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB: (Continued)***

\$70,239, \$2,149, \$60,638, for the City, component unit school board (nonprofessional), and component unit school board (professional), respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the employers' contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| <u>Year Ended June 30</u> | <u>Primary<br/>Government</u> | <u>Component Unit<br/>School Board<br/>(nonprofessional)</u> | <u>Component Unit<br/>School Board<br/>(professional)</u> |
|---------------------------|-------------------------------|--------------------------------------------------------------|-----------------------------------------------------------|
| 2021                      | \$ (5,773)                    | \$ (4)                                                       | \$ (5,407)                                                |
| 2022                      | (5,773)                       | (4)                                                          | (5,406)                                                   |
| 2023                      | 3,481                         | 350                                                          | 3,274                                                     |
| 2024                      | 14,664                        | 673                                                          | 13,545                                                    |
| 2025                      | 19,836                        | 687                                                          | 18,583                                                    |
| Thereafter                | 5,934                         | 182                                                          | 5,627                                                     |

### ***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

|                                        |                                                            |
|----------------------------------------|------------------------------------------------------------|
| Inflation                              | 2.50%                                                      |
| Salary increases, including inflation: |                                                            |
| Teachers                               | 3.50%-5.95%                                                |
| Locality - General employees           | 3.50%-5.35%                                                |
| Locality - Hazardous Duty employees    | 3.50%-4.75%                                                |
| Investment rate of return              | 6.75%, net of investment expenses,<br>including inflation* |

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 15—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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#### *Actuarial Assumptions: (Continued)*

##### **Mortality Rates – Teachers**

###### Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

###### Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

###### Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Adjusted rates to better match experience                                                       |
| Salary Scale                                                            | No change                                                                                       |
| Discount Rate                                                           | Decreased rate from 7.00% to 6.75%                                                              |

##### **Mortality Rates – Non-Largest Ten Locality Employers – General Employees**

###### Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

###### Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

###### Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 15—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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#### *Actuarial Assumptions: (Continued)*

#### **Mortality Rates – Non-Largest Ten Locality Employers – General Employees: (Continued)**

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

|                                                                         |                                                                                        |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                  |
| Retirement Rates                                                        | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates                                                        | Adjusted termination rates to better fit experience at each age and service year       |
| Disability Rates                                                        | Lowered disability rates                                                               |
| Salary Scale                                                            | No change                                                                              |
| Line of Duty Disability                                                 | Increased rate from 14.00% to 15.00%                                                   |
| Discount Rate                                                           | Decreased rate from 7.00% to 6.75%                                                     |

#### **Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees**

##### Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

##### Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

##### Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 15—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

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#### **Actuarial Assumptions: (Continued)**

#### **Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

|                                                                         |                                                                                  |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020            |
| Retirement Rates                                                        | Increased age 50 rates and lowered rates at older ages                           |
| Withdrawal Rates                                                        | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates                                                        | Adjusted rates to better match experience                                        |
| Salary Scale                                                            | No change                                                                        |
| Line of Duty Disability                                                 | Decreased rate from 60.00% to 45.00%                                             |
| Discount Rate                                                           | Decreased rate from 7.00% to 6.75%                                               |

#### **Net GLI OPEB Liability**

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan are as follows (amounts expressed in thousands):

|                                                                                |    |                         |
|--------------------------------------------------------------------------------|----|-------------------------|
| Total GLI OPEB Liability                                                       | \$ | 3,390,238               |
| Plan Fiduciary Net Position                                                    |    | <u>1,762,972</u>        |
| GLI Net OPEB Liability (Asset)                                                 | \$ | <u><u>1,627,266</u></u> |
|                                                                                |    |                         |
| Plan Fiduciary Net Position as a Percentage<br>of the Total GLI OPEB Liability |    | 52.00%                  |

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

### Note 15—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

#### **Long-Term Expected Rate of Return**

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

| <b>Asset Class (Strategy)</b>        | <b>Target Allocation</b> | <b>Arithmetic Long-term Expected Rate of Return</b> | <b>Weighted Average Long-term Expected Rate of Return</b> |
|--------------------------------------|--------------------------|-----------------------------------------------------|-----------------------------------------------------------|
| Public Equity                        | 34.00%                   | 5.61%                                               | 1.91%                                                     |
| Fixed Income                         | 15.00%                   | 0.88%                                               | 0.13%                                                     |
| Credit Strategies                    | 14.00%                   | 5.13%                                               | 0.72%                                                     |
| Real Assets                          | 14.00%                   | 5.27%                                               | 0.74%                                                     |
| Private Equity                       | 14.00%                   | 8.77%                                               | 1.23%                                                     |
| MAPS - Multi-Asset Public Strategies | 6.00%                    | 3.52%                                               | 0.21%                                                     |
| PIP - Private Investment Partnership | 3.00%                    | 6.29%                                               | 0.19%                                                     |
| Total                                | 100.00%                  |                                                     | 5.13%                                                     |
|                                      |                          | Inflation                                           | 2.50%                                                     |
|                                      |                          | *Expected arithmetic nominal return                 | 7.63%                                                     |

\*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

#### **Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

### Note 15—Group Life Insurance (GLI) Plan (OPEB Plan): (Continued)

#### ***Sensitivity of the Employers' Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate***

The following presents the employers' proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

|                                                                                                                             | Rate                   |                             |                        |
|-----------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------------|------------------------|
|                                                                                                                             | 1% Decrease<br>(5.75%) | Current Discount<br>(6.75%) | 1% Increase<br>(7.75%) |
| City's proportionate share of the<br>Group Life Insurance Plan<br>Net OPEB Liability                                        | \$ 1,397,373           | \$ 1,063,675                | \$ 793,053             |
| Component Unit School Board (nonprofessional)<br>proportionate share of the Group Life<br>Insurance Plan Net OPEB Liability | \$ 53,445              | \$ 40,682                   | \$ 30,332              |
| Component Unit School Board (professional)<br>proportionate share of the Group Life<br>Insurance Plan Net OPEB Liability    | \$ 1,310,672           | \$ 997,677                  | \$ 743,847             |

#### ***GLI Plan Fiduciary Net Position***

Detailed information about the GLI Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

### Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):

#### ***Plan Description***

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

## **CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### **Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan):**

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#### ***Plan Description: (Continued)***

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

#### ***Eligible Employees***

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

#### ***Benefit Amounts***

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

#### ***HIC Plan Notes***

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

#### ***Contributions***

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$139,552 and \$144,134 for the years ended June 30, 2020 and June 30, 2019, respectively.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

### **Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

#### ***Teacher Employee HIC Plan OPEB Liabilities, Teacher Employee HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB***

At June 30, 2020, the school division reported a liability of \$1,874,627 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC Plan OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC Plan OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net VRS Teacher Employee HIC Plan OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Plan OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC Plan was 0.14320% as compared to 0.14438% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$139,110. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Plan OPEB from the following sources:

|                                                                                           | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|-------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Differences between expected and actual experience                                        | \$ -                                      | \$ 10,617                                |
| Net difference between projected and actual earnings on Teacher HIC OPEB plan investments | 118                                       | -                                        |
| Change in assumptions                                                                     | 43,631                                    | 13,026                                   |
| Change in proportion                                                                      | -                                         | 78,060                                   |
| Employer contributions subsequent to the measurement date                                 | 139,552                                   | -                                        |
| Total                                                                                     | \$ 183,301                                | \$ 101,703                               |

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### **Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)**

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#### ***Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee Health Insurance Credit Program OPEB: (Continued)***

\$139,552 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

#### **Year Ended June 30**

|            |    |          |
|------------|----|----------|
| 2021       | \$ | (13,398) |
| 2022       |    | (13,400) |
| 2023       |    | (12,578) |
| 2024       |    | (12,853) |
| 2025       |    | (8,770)  |
| Thereafter |    | 3,045    |

#### ***Actuarial Assumptions***

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

|                                                             |                                                            |
|-------------------------------------------------------------|------------------------------------------------------------|
| Inflation                                                   | 2.50%                                                      |
| Salary increases, including inflation:<br>Teacher employees | 3.50%-5.95%                                                |
| Investment rate of return                                   | 6.75%, net of investment expenses,<br>including inflation* |

\*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

### Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

#### Mortality Rates – Teachers

**Pre-Retirement:**

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

**Post-Retirement:**

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Adjusted rates to better match experience                                                       |
| Salary Scale                                                            | No change                                                                                       |
| Discount Rate                                                           | Decreased rate from 7.00% to 6.75%                                                              |

#### Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

|                                                                                                 |    | <b>Teacher<br/>Employee HIC<br/>OPEB Plan</b> |
|-------------------------------------------------------------------------------------------------|----|-----------------------------------------------|
| Total Teacher Employee HIC OPEB Liability                                                       | \$ | 1,438,114                                     |
| Plan Fiduciary Net Position                                                                     |    | 129,016                                       |
| Teacher Employee net HIC OPEB Liability (Asset)                                                 | \$ | 1,309,098                                     |
| Plan Fiduciary Net Position as a Percentage<br>of the Total Teacher Employee HIC OPEB Liability |    | 8.97%                                         |

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

### Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

#### Actuarial Assumptions: (Continued)

#### Net Teacher Employee HIC OPEB Liability: (Continued)

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

#### Long-Term Expected Rate of Return

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

| Asset Class (Strategy)               | Target Allocation | Arithmetic Long-term Expected Rate of Return | Weighted Average Long-term Expected Rate of Return |
|--------------------------------------|-------------------|----------------------------------------------|----------------------------------------------------|
| Public Equity                        | 34.00%            | 5.61%                                        | 1.91%                                              |
| Fixed Income                         | 15.00%            | 0.88%                                        | 0.13%                                              |
| Credit Strategies                    | 14.00%            | 5.13%                                        | 0.72%                                              |
| Real Assets                          | 14.00%            | 5.27%                                        | 0.74%                                              |
| Private Equity                       | 14.00%            | 8.77%                                        | 1.23%                                              |
| MAPS - Multi-Asset Public Strategies | 6.00%             | 3.52%                                        | 0.21%                                              |
| PIP - Private Investment Partnership | 3.00%             | 6.29%                                        | 0.19%                                              |
| Total                                | 100.00%           |                                              | 5.13%                                              |
|                                      |                   | Inflation                                    | 2.50%                                              |
|                                      |                   | *Expected arithmetic nominal return          | 7.63%                                              |

\*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40<sup>th</sup> percentile of expected long-term results of the VRS fund asset allocation.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

### Note 16—Teacher Employee Health Insurance Credit (HIC) Plan (OPEB Plan): (Continued)

#### **Discount Rate**

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

#### **Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate**

The following presents the school division's proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

|                                                                                 |    | Rate        |                  |              |
|---------------------------------------------------------------------------------|----|-------------|------------------|--------------|
|                                                                                 |    | 1% Decrease | Current Discount | 1% Increase  |
|                                                                                 |    | (5.75%)     | (6.75%)          | (7.75%)      |
| School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan |    |             |                  |              |
| Net HIC OPEB Liability                                                          | \$ | 2,098,026   | \$ 1,874,627     | \$ 1,684,850 |

#### **Teacher Employee HIC OPEB Fiduciary Net Position**

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 17—Pay-as-you-Go (OPEB Plan) – Medical Insurance:

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#### **Primary Government:**

##### ***Plan Description***

In addition to the pension benefits described in Note 14, the City administers a single-employer defined benefit healthcare plan, the City of Martinsville Post-Retirement Medical Plan (CMPRMP). The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the City's pension plan. The plan does not issue a publicly available financial report.

##### ***Benefits Provided***

Postemployment benefits that are provided to eligible retirees includes Medical insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. Retired employees, who were hired before July 1, 2005, who participated in the City's medical program with at least 15 years of continuous service and who retire under the VRS plan are eligible to elect post-retirement coverage in the CMPRMP. The CMPRMP is closed to new entrants.

##### ***Plan Membership***

At July 1, 2019 (measurement date), the following employees were covered by the benefit terms:

|                                      | <b><u>Primary<br/>Government</u></b> |
|--------------------------------------|--------------------------------------|
| Total active employees with coverage | 105                                  |
| Total retirees with coverage         | <u>47</u>                            |
| Total                                | <u><u>152</u></u>                    |

##### ***Contributions***

The City holds assets accumulated for OPEB purpose in a fiduciary capacity. As required, the City reports these assets in an agency fund. At June 30, 2020 the City held assets amounting to \$434,981 for OPEB purposes. The City Council establishes employer contribution rates for plan participants as part of the budgetary process each year. Council also determines how the plan will be funded each year whether it will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. For retirees hired prior to July 1, 2000 with 15 years of uninterrupted service, the City pays 100% of the designated contribution towards the monthly single only coverage premium and the retiree contributes the remaining balance. Retirees hired on or after July 1, 2000 but prior to July 1, 2005, with 14 or less years of continuous service are not eligible for the designated contribution. For retirees hired in this same time frame with 15 through 19 years of continuous service, the City contributes 50% of the designated contribution and the retiree contributes the remaining balance. For retirees hired in this time frame with 20 or more years of continuous service, the City contributes 75% of the designated contribution and the retiree contributes the remaining balance. Retirees hired on or after July 1, 2005 are not eligible for the designated contribution.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 17—Pay-as-you-Go (OPEB Plan) – Medical Insurance: (Continued)

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#### Primary Government: (Continued)

##### **Total OPEB Liability**

The City's total OPEB liability was measured as of July 1, 2019. The total OPEB liability was determined by an actuarial valuation as of July 1, 2018.

##### **Actuarial Assumptions**

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                              |                                                                                                                                                         |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| Discount Rate                | 3.13%                                                                                                                                                   |
| Salary Scale                 | 2.50%                                                                                                                                                   |
| Healthcare Cost Trend Rates: | 3.96% for fiscal year end 2019 (to reflect actual experience), then 7.00% for fiscal year 2020, decreasing 0.25% per year to an ultimate rate of 5.00%. |
| Mortality                    | RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019.                   |
| Actuarial Cost Method:       | Entry Age Actuarial Cost Method.                                                                                                                        |

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

##### **Discount Rate**

The final equivalent single discount rate used for this year's valuation is 3.13% as of the end of the fiscal year with the expectation that the City will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

##### **Changes in Total OPEB Liability**

|                                                   |    | <b>Primary Government<br/>Total OPEB Liability</b> |
|---------------------------------------------------|----|----------------------------------------------------|
| Balances at June 30, 2019                         | \$ | 3,608,000                                          |
| Changes for the year:                             |    |                                                    |
| Service cost                                      |    | 46,000                                             |
| Interest                                          |    | 125,000                                            |
| Difference between expected and actual experience |    | (14,000)                                           |
| Benefit payments                                  |    | (397,000)                                          |
| Other changes                                     |    | 97,000                                             |
| Net changes                                       |    | (143,000)                                          |
| Balances at June 30, 2020                         | \$ | 3,465,000                                          |

# CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

## Note 17—Pay-as-you-Go (OPEB Plan) – Medical Insurance: (Continued)

### Primary Government: (Continued)

#### *Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following amounts present the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

| Rate                   |                                  |                        |
|------------------------|----------------------------------|------------------------|
| 1% Decrease<br>(2.13%) | Current Discount<br>Rate (3.13%) | 1% Increase<br>(4.13%) |
| \$ 3,679,000           | \$ 3,465,000                     | \$ 3,267,000           |

#### *Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability of the City, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current healthcare cost trend rates:

| Rates                  |                                     |                        |
|------------------------|-------------------------------------|------------------------|
| 1% Decrease<br>(6.00%) | Healthcare Cost<br>Trend<br>(7.00%) | 1% Increase<br>(8.00%) |
| \$ 3,211,000           | \$ 3,465,000                        | \$ 3,746,000           |

#### *OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended June 30, 2020, the City recognized OPEB expense in the amount of \$386,000. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

|                                                    | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|----------------------------------------------------|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 72,000                         | \$ 9,000                         |
| Changes in assumptions                             | 126,000                           | -                                |
| Total                                              | \$ 198,000                        | \$ 9,000                         |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

| Year Ended June 30 | Primary<br>Government |
|--------------------|-----------------------|
| 2021               | \$ 166,000            |
| 2022               | 23,000                |
| 2023               | -                     |
| 2024               | -                     |
| 2025               | -                     |
| Thereafter         | -                     |

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### **Note 17—Pay-as-you-Go (OPEB Plan) – Medical Insurance: (Continued)**

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#### **Component Unit School Board:**

##### ***Plan Description***

In addition to the pension benefits described in Note 14, the School Board administers a single-employer defined benefit healthcare plan, the City of Martinsville School Board Post-Retirement Medical Plan (CMSBPRMP). The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plan. The plan does not issue a publicly available financial report.

##### ***Benefits Provided***

Postemployment benefits that are provided to eligible retirees includes Medical insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. Retired employees, who were hired before July 1, 2005, who participated in the School Board's medical program with at least 15 years of continuous service and who retire under the VRS plan are eligible to elect post-retirement coverage in the CMSBPRMP. The CMSBPRMP is closed to new entrants.

##### ***Plan Membership***

At July 1, 2019 (measurement date), the following employees were covered by the benefit terms:

|                                      | <b>Component Unit<br/>School Board</b> |
|--------------------------------------|----------------------------------------|
| Total active employees with coverage | 86                                     |
| Total retirees with coverage         | 12                                     |
| Total                                | 98                                     |

##### ***Contributions***

The School Board, in conjunction with the City, holds assets accumulated for OPEB purposes in a fiduciary capacity. The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. For retirees hired prior to July 1, 2000 with 15 years of uninterrupted service, the School Board pays 100% of the designated contribution towards the monthly single only coverage premium and the retiree contributes the remaining balance. Retirees hired on or after July 1, 2000 but prior to July 1, 2005, with 14 or less years of continuous service are not eligible for the designated contribution. For retirees hired in this same time frame with 15 through 19 years of continuous service, the School Board contributes 50% of the designated contribution and the retiree contributes the remaining balance. For retirees hired in this time frame with 20 or more years of continuous service, the Board contributes 75% of the designated contribution and the retiree contributes the remaining balance. Retirees hired on or after July 1, 2005 are not eligible for the designated contribution.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 17—Pay-as-you-Go (OPEB Plan) – Medical Insurance: (Continued)

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#### Component Unit School Board: (Continued)

##### **Total OPEB Liability**

The School Board's total OPEB liability was measured as of July 1, 2019. The total OPEB liability was determined by an actuarial valuation as of July 1, 2018.

##### **Actuarial Assumptions**

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                              |                                                                                                                                                         |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| Discount Rate                | 3.13%                                                                                                                                                   |
| Salary Scale                 | 2.50%                                                                                                                                                   |
| Healthcare Cost Trend Rates: | 3.96% for fiscal year end 2019 (to reflect actual experience), then 7.00% for fiscal year 2020, decreasing 0.25% per year to an ultimate rate of 5.00%. |
| Mortality                    | RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019.                   |
| Actuarial Cost Method:       | Entry Age Actuarial Cost Method.                                                                                                                        |

The date of the most recent actuarial experience study for which significant assumptions were based is not available.

##### **Discount Rate**

The final equivalent single discount rate used for this year's valuation is 3.13% as of the end of the fiscal year with the expectation that the School Board will continue contributing the Actuarially Determined Contribution and paying the pay-go cost.

##### **Changes in Total OPEB Liability**

|                                                   | <b>Component Unit<br/>School Board<br/>Total OPEB Liability</b> |
|---------------------------------------------------|-----------------------------------------------------------------|
| Balances at June 30, 2019                         | \$ 701,000                                                      |
| Changes for the year:                             |                                                                 |
| Service cost                                      | 19,000                                                          |
| Interest                                          | 24,000                                                          |
| Difference between expected and actual experience | 19,000                                                          |
| Benefit payments                                  | (88,000)                                                        |
| Other changes                                     | 18,000                                                          |
| Net changes                                       | (8,000)                                                         |
| Balances at June 30, 2020                         | \$ 693,000                                                      |

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**Note 17—Pay-as-you-Go (OPEB Plan) – Medical Insurance: (Continued)**

**Component Unit School Board: (Continued)**

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following amounts present the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) than the current discount rate:

| Rate                   |                                  |                        |
|------------------------|----------------------------------|------------------------|
| 1% Decrease<br>(2.13%) | Current Discount<br>Rate (3.13%) | 1% Increase<br>(4.13%) |
| \$ 731,000             | \$ 693,000                       | \$ 655,000             |

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower 6.00% or one percentage point higher 8.00% than the current healthcare cost trend rates:

| Rates                  |                                     |                        |
|------------------------|-------------------------------------|------------------------|
| 1% Decrease<br>(6.00%) | Healthcare Cost<br>Trend<br>(7.00%) | 1% Increase<br>(8.00%) |
| \$ 635,000             | \$ 693,000                          | \$ 758,000             |

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended June 30, 2020, the School Board recognized OPEB expense in the amount of \$65,000. At June 30, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows.

|                                                    | Component Unit School Board       |                                  |
|----------------------------------------------------|-----------------------------------|----------------------------------|
|                                                    | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
| Differences between expected and actual experience | \$ 34,000                         | \$ -                             |
| Changes in assumptions                             | 14,000                            | 5,000                            |
| Total                                              | \$ 48,000                         | \$ 5,000                         |

**CITY OF MARTINSVILLE, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2020 (Continued)

**Note 17—Pay-as-you-Go (OPEB Plan) – Medical Insurance: (Continued)**

**Component Unit School Board: (Continued)**

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)***

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

| <u>Year Ended June 30</u> | <u>Component Unit<br/>School Board</u> |
|---------------------------|----------------------------------------|
| 2021                      | \$ 15,000                              |
| 2022                      | 16,000                                 |
| 2023                      | 10,000                                 |
| 2024                      | 2,000                                  |
| 2025                      | -                                      |
| Thereafter                | -                                      |

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

***Aggregate OPEB Information***

|                                                | <u>Primary Government</u>          |                             |                                         |                         |
|------------------------------------------------|------------------------------------|-----------------------------|-----------------------------------------|-------------------------|
|                                                | <u>Deferred<br/>Outflows</u>       | <u>Deferred<br/>Inflows</u> | <u>Net/Total<br/>OPEB<br/>Liability</u> | <u>OPEB<br/>Expense</u> |
| VRS OPEB Plans:                                |                                    |                             |                                         |                         |
| Group Life Insurance Plan (Note 15):           |                                    |                             |                                         |                         |
| City                                           | \$ 208,134                         | \$ 105,525                  | \$ 1,063,675                            | \$ 15,044               |
| City Stand-Alone Plan (Note 17)                | 198,000                            | 9,000                       | 3,465,000                               | 386,000                 |
| Totals                                         | <u>\$ 406,134</u>                  | <u>\$ 114,525</u>           | <u>\$ 4,528,675</u>                     | <u>\$ 401,044</u>       |
|                                                | <u>Component Unit School Board</u> |                             |                                         |                         |
|                                                | <u>Deferred<br/>Outflows</u>       | <u>Deferred<br/>Inflows</u> | <u>Net OPEB<br/>Liability</u>           | <u>OPEB<br/>Expense</u> |
| VRS OPEB Plans:                                |                                    |                             |                                         |                         |
| Group Life Insurance Plan (Note 15):           |                                    |                             |                                         |                         |
| School Board Nonprofessional                   | \$ 7,423                           | \$ 3,390                    | \$ 40,682                               | \$ 792                  |
| School Board Professional                      | 189,977                            | 99,123                      | 997,677                                 | 14,119                  |
| Teacher Health Insurance Credit Plan (Note 16) | 183,301                            | 101,703                     | 1,874,627                               | 139,110                 |
| School Stand-Alone Plan (Note 17)              | 48,000                             | 5,000                       | 693,000                                 | 65,000                  |
| Totals                                         | <u>\$ 428,701</u>                  | <u>\$ 209,216</u>           | <u>\$ 3,605,986</u>                     | <u>\$ 219,021</u>       |

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### Note 18—Surety Bonds:

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|                                                                                                                                         | <u>Amount</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Travelers Casualty and Surety Company of America - Surety<br>Faithful Performance of Duty Schedule Position Bond:<br>Commonwealth Funds |               |
| Ashby R. Pritchett, Clerk of the Circuit Court                                                                                          | \$ 103,000    |
| Cindy Dickerson, Treasurer and/or Linda Conover, Director of Finance                                                                    | 500,000       |
| Ruth Easley, Commissioner of the Revenue                                                                                                | 3,000         |
| Steve M. Draper, Sheriff                                                                                                                | 30,000        |
| Lumberman's Mutual Casualty Company - Surety City funds                                                                                 |               |
| Cindy Dickerson, Treasurer                                                                                                              | 250,000       |
| Virginia Municipal League - Surety                                                                                                      |               |
| All School Board employees - blanket bond                                                                                               |               |
| VACORP - Surety                                                                                                                         |               |
| All City employees - blanket bond                                                                                                       |               |
| Honesty                                                                                                                                 | 100,000       |
| Faithful performance                                                                                                                    | 1,000,000     |

### Note 19—Restatement of Beginning Balances:

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The City restated beginning balances as follows:

|                                                         | <u>Refuse Collection/Landfill Fund</u> |                                  |
|---------------------------------------------------------|----------------------------------------|----------------------------------|
|                                                         | <u>Capital Assets</u>                  | <u>Long-term<br/>Obligations</u> |
| As originally report at June 30, 2019                   | \$ 3,078,483                           | \$ 4,665,094                     |
| Reclassify landfill remediation/post-closure care costs | <u>(1,006,921)</u>                     | <u>(1,006,921)</u>               |
| As restated at June 30, 2019                            | <u>\$ 2,071,562</u>                    | <u>\$ 3,658,173</u>              |

### Note 20—Commitments and Contingencies:

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At June 30, 2020, the City had completed all major projects that were previously in progress. For this reason there were no construction in contract related commitments or contingencies at June 30, 2020.

## CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements  
As of June 30, 2020 (Continued)

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### **Note 21—COVID-19 Pandemic Subsequent Event:**

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On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. City of Martinsville, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. City of Martinsville, Virginia, received the second round of CRF funds in the amount of \$1,095,288 in August 2020.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 will be returned to the federal government.

### **Required Supplementary Information**

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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## General Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual

For the Year Ended June 30, 2020

|                                                              | Original<br>Budget    | Budget<br>As<br>Amended | Actual                     | Variance<br>From<br>Final<br>Budget<br>Positive<br>(Negative) |
|--------------------------------------------------------------|-----------------------|-------------------------|----------------------------|---------------------------------------------------------------|
| Revenues:                                                    |                       |                         |                            |                                                               |
| General property taxes                                       | \$ 8,948,000          | \$ 8,948,000            | \$ 9,335,603               | \$ 387,603                                                    |
| Other local taxes                                            | 5,380,570             | 5,380,570               | 5,480,804                  | 100,234                                                       |
| Permits, privilege fees and regulatory licenses              | 62,650                | 63,125                  | 109,659                    | 46,534                                                        |
| Fines and forfeitures                                        | 148,100               | 148,794                 | 99,924                     | (48,870)                                                      |
| Revenue from use of money and property                       | 1,158,342             | 1,158,342               | 1,153,163                  | (5,179)                                                       |
| Charges for services                                         | 2,291,993             | 2,291,993               | 2,386,857                  | 94,864                                                        |
| Miscellaneous                                                | 416,243               | 416,531                 | 476,355                    | 59,824                                                        |
| Recovered costs                                              | 2,154,450             | 2,279,600               | 2,312,618                  | 33,018                                                        |
| Intergovernmental:                                           |                       |                         |                            |                                                               |
| Commonwealth                                                 | 9,577,953             | 10,153,943              | 10,385,366                 | 231,423                                                       |
| Federal                                                      | 748,381               | 1,215,412               | 838,308                    | (377,104)                                                     |
| Total revenues                                               | <u>\$ 30,886,682</u>  | <u>\$ 32,056,310</u>    | <u>\$ 32,578,657</u>       | <u>\$ 522,347</u>                                             |
| Expenditures:                                                |                       |                         |                            |                                                               |
| Current:                                                     |                       |                         |                            |                                                               |
| General government administration                            | \$ 4,381,261          | \$ 4,454,036            | \$ 4,574,168               | \$ (120,132)                                                  |
| Judicial administration                                      | 2,551,983             | 2,574,429               | 2,513,322                  | 61,107                                                        |
| Public safety                                                | 10,844,638            | 11,396,930              | 10,558,326                 | 838,604                                                       |
| Public works                                                 | 5,052,072             | 5,857,981               | 4,944,151                  | 913,830                                                       |
| Health and welfare                                           | 856,829               | 856,829                 | 1,186,193                  | (329,364)                                                     |
| Education                                                    | 6,248,111             | 6,248,111               | 5,157,042                  | 1,091,069                                                     |
| Parks, recreation, and cultural                              | 904,146               | 913,972                 | 855,004                    | 58,968                                                        |
| Community development                                        | 2,989,959             | 3,247,658               | 2,926,744                  | 320,914                                                       |
| Total expenditures                                           | <u>\$ 33,828,999</u>  | <u>\$ 35,549,946</u>    | <u>\$ 32,714,950</u>       | <u>\$ 2,834,996</u>                                           |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>\$ (2,942,317)</u> | <u>\$ (3,493,636)</u>   | <u>\$ (136,293)</u>        | <u>\$ 3,357,343</u>                                           |
| Other financing sources (uses):                              |                       |                         |                            |                                                               |
| Transfers in                                                 | \$ 1,273,123          | \$ 1,273,123            | \$ 1,273,123               | \$ -                                                          |
| Transfers (out)                                              | <u>-</u>              | <u>(418,031)</u>        | <u>(418,031)</u>           | <u>-</u>                                                      |
| Total other financing sources (uses)                         | <u>\$ 1,273,123</u>   | <u>\$ 855,092</u>       | <u>\$ 855,092</u>          | <u>\$ -</u>                                                   |
| Changes in fund balances                                     | <u>\$ (1,669,194)</u> | <u>\$ (2,638,544)</u>   | <u>\$ 718,799</u>          | <u>\$ 3,357,343</u>                                           |
| Fund balances at beginning of year                           | <u>1,669,194</u>      | <u>2,638,544</u>        | <u>6,242,154</u>           | <u>3,603,610</u>                                              |
| Fund balances at end of year                                 | <u><u>\$ -</u></u>    | <u><u>\$ -</u></u>      | <u><u>\$ 6,960,953</u></u> | <u><u>\$ 6,960,953</u></u>                                    |

Schedule of Employer's Proportionate Share of the Net Pension Liability  
VRS Pension Plan  
For the Measurement Dates of June 30, 2014 through June 30, 2019

| Date<br>(1)                                       | Proportion of<br>the Net Pension<br>Liability (NPL)<br>(2) | Proportionate<br>Share of the NPL<br>(3) | Covered<br>Payroll<br>(4) | Proportionate<br>Share of the NPL<br>as a Percentage of<br>Covered Payroll<br>(3)/(4)<br>(5) | Pension Plan's<br>Fiduciary Net<br>Position as a<br>Percentage of Total<br>Pension Liability<br>(6) |
|---------------------------------------------------|------------------------------------------------------------|------------------------------------------|---------------------------|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| <b>Primary Government - City Retirement Plan</b>  |                                                            |                                          |                           |                                                                                              |                                                                                                     |
| 2019                                              | 93.00% \$                                                  | 23,520,960 \$                            | 12,536,671                | 187.62%                                                                                      | 76.36%                                                                                              |
| 2018                                              | 92.39%                                                     | 18,646,917                               | 12,201,190                | 152.83%                                                                                      | 79.88%                                                                                              |
| 2017                                              | 91.95%                                                     | 18,955,341                               | 12,117,472                | 156.43%                                                                                      | 79.02%                                                                                              |
| 2016                                              | 93.61%                                                     | 22,696,623                               | 13,409,915                | 169.25%                                                                                      | 74.76%                                                                                              |
| 2015                                              | 93.37%                                                     | 19,919,054                               | 13,216,981                | 150.71%                                                                                      | 77.41%                                                                                              |
| 2014                                              | 93.42%                                                     | 18,187,446                               | 12,797,381                | 142.12%                                                                                      | 78.66%                                                                                              |
| <b>Component Unit School Board (professional)</b> |                                                            |                                          |                           |                                                                                              |                                                                                                     |
| 2019                                              | 0.1436% \$                                                 | 18,899,892 \$                            | 12,065,156                | 156.65%                                                                                      | 73.51%                                                                                              |
| 2018                                              | 0.1444%                                                    | 16,979,000                               | 11,697,771                | 145.15%                                                                                      | 74.81%                                                                                              |
| 2017                                              | 0.1473%                                                    | 18,117,000                               | 11,642,954                | 155.60%                                                                                      | 72.92%                                                                                              |
| 2016                                              | 0.1522%                                                    | 21,328,000                               | 11,653,559                | 183.02%                                                                                      | 68.28%                                                                                              |
| 2015                                              | 0.1667%                                                    | 20,984,000                               | 11,644,367                | 180.21%                                                                                      | 70.68%                                                                                              |
| 2014                                              | 0.1646%                                                    | 19,896,000                               | 12,040,187                | 165.25%                                                                                      | 70.88%                                                                                              |

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Changes in Net Pension Liability and Related Ratios  
Component Unit School Board (nonprofessional)  
For the Measurement Dates of June 30, 2014 through June 30, 2019

|                                                                                   | 2019                | 2018                | 2017                | 2016                | 2015                | 2014                |
|-----------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Total pension liability</b>                                                    |                     |                     |                     |                     |                     |                     |
| Service cost                                                                      | \$ 47,066           | \$ 45,512           | \$ 41,329           | \$ 45,589           | \$ 54,322           | \$ 56,141           |
| Interest                                                                          | 275,813             | 271,267             | 279,172             | 282,746             | 283,560             | 284,255             |
| Changes of assumptions                                                            | 91,229              | -                   | 11,088              | -                   | -                   | -                   |
| Differences between expected and actual experience                                | 3,332               | 86,439              | (100,879)           | (43,743)            | (5,140)             | -                   |
| Benefit payments, including refunds of employee contributions                     | (329,941)           | (346,627)           | (340,625)           | (330,699)           | (358,029)           | (342,606)           |
| <b>Net change in total pension liability</b>                                      | \$ 87,499           | \$ 56,591           | \$ (109,915)        | \$ (46,107)         | \$ (25,287)         | \$ (2,210)          |
| <b>Total pension liability - beginning</b>                                        | 4,105,154           | 4,048,563           | 4,158,478           | 4,204,585           | 4,229,872           | 4,232,082           |
| <b>Total pension liability - ending (a)</b>                                       | <u>\$ 4,192,653</u> | <u>\$ 4,105,154</u> | <u>\$ 4,048,563</u> | <u>\$ 4,158,478</u> | <u>\$ 4,204,585</u> | <u>\$ 4,229,872</u> |
| <b>Plan fiduciary net position</b>                                                |                     |                     |                     |                     |                     |                     |
| Contributions - employer                                                          | \$ 111,669          | \$ 128,396          | \$ 127,356          | \$ 113,958          | \$ 110,982          | \$ 119,537          |
| Contributions - employee                                                          | 22,489              | 21,938              | 21,782              | 20,903              | 21,192              | 25,188              |
| Net investment income                                                             | 169,498             | 192,350             | 301,389             | 42,268              | 123,775             | 399,239             |
| Benefit payments, including refunds of employee contributions                     | (329,941)           | (346,627)           | (340,625)           | (330,699)           | (358,029)           | (342,606)           |
| Administrative expense                                                            | (1,856)             | (1,789)             | (1,891)             | (1,784)             | (1,895)             | (2,295)             |
| Other                                                                             | (106)               | (166)               | (262)               | (19)                | (23)                | 21                  |
| <b>Net change in plan fiduciary net position</b>                                  | \$ (28,247)         | \$ (5,898)          | \$ 107,749          | \$ (155,373)        | \$ (103,998)        | \$ 199,084          |
| <b>Plan fiduciary net position - beginning</b>                                    | 2,671,898           | 2,677,796           | 2,570,047           | 2,725,420           | 2,829,418           | 2,630,334           |
| <b>Plan fiduciary net position - ending (b)</b>                                   | <u>\$ 2,643,651</u> | <u>\$ 2,671,898</u> | <u>\$ 2,677,796</u> | <u>\$ 2,570,047</u> | <u>\$ 2,725,420</u> | <u>\$ 2,829,418</u> |
| <b>School Division's net pension liability - ending (a) - (b)</b>                 | \$ 1,549,002        | \$ 1,433,256        | \$ 1,370,767        | \$ 1,588,431        | \$ 1,479,165        | \$ 1,400,454        |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | 63.05%              | 65.09%              | 66.14%              | 61.80%              | 64.82%              | 66.89%              |
| <b>Covered payroll</b>                                                            | \$ 488,976          | \$ 476,016          | \$ 470,771          | \$ 442,484          | \$ 426,964          | \$ 503,742          |
| <b>School Division's net pension liability as a percentage of covered payroll</b> | 316.78%             | 301.09%             | 291.17%             | 358.98%             | 346.44%             | 278.01%             |

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

## Schedule of Employer Contributions

## VRS Pension Plan

For the Years Ended June 30, 2011 through June 30, 2020

| Date                                                 | Contractually<br>Required<br>Contribution<br>(1) | Contributions in<br>Relation to<br>Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) | Employer's<br>Covered<br>Payroll<br>(4) | Contributions<br>as a % of<br>Covered<br>Employee<br>Payroll<br>(5) |
|------------------------------------------------------|--------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------|---------------------------------------------------------------------|
| <b>Primary Government</b>                            |                                                  |                                                                                     |                                               |                                         |                                                                     |
| 2020                                                 | \$ 2,133,317                                     | \$ 2,133,317                                                                        | \$ -                                          | \$ 13,201,219                           | 16.16%                                                              |
| 2019                                                 | 2,025,957                                        | 2,025,957                                                                           | -                                             | 12,536,671                              | 16.16%                                                              |
| 2018                                                 | 1,969,272                                        | 1,969,272                                                                           | -                                             | 12,201,190                              | 16.14%                                                              |
| 2017                                                 | 1,955,760                                        | 1,955,760                                                                           | -                                             | 12,117,472                              | 16.14%                                                              |
| 2016                                                 | 2,368,834                                        | 2,368,834                                                                           | -                                             | 13,409,915                              | 18.87%                                                              |
| 2015                                                 | 2,290,963                                        | 2,290,963                                                                           | -                                             | 13,216,981                              | 18.87%                                                              |
| 2014                                                 | 2,363,676                                        | 2,363,676                                                                           | -                                             | 12,797,381                              | 18.47%                                                              |
| 2013                                                 | 2,303,060                                        | 2,303,060                                                                           | -                                             | 12,649,195                              | 18.47%                                                              |
| 2012                                                 | 2,009,573                                        | 2,009,573                                                                           | -                                             | 12,622,949                              | 15.92%                                                              |
| 2011                                                 | 2,016,179                                        | 2,016,179                                                                           | -                                             | 12,664,438                              | 15.92%                                                              |
| <b>Component Unit School Board (nonprofessional)</b> |                                                  |                                                                                     |                                               |                                         |                                                                     |
| 2020                                                 | \$ 94,367                                        | \$ 94,367                                                                           | \$ -                                          | \$ 413,317                              | 22.83%                                                              |
| 2019                                                 | 111,670                                          | 111,670                                                                             | -                                             | 488,976                                 | 22.84%                                                              |
| 2018                                                 | 128,395                                          | 128,395                                                                             | -                                             | 476,016                                 | 26.97%                                                              |
| 2017                                                 | 130,309                                          | 130,309                                                                             | -                                             | 470,771                                 | 27.68%                                                              |
| 2016                                                 | 115,179                                          | 115,179                                                                             | -                                             | 442,484                                 | 26.03%                                                              |
| 2015                                                 | 111,139                                          | 111,139                                                                             | -                                             | 426,964                                 | 26.03%                                                              |
| 2014                                                 | 119,538                                          | 119,538                                                                             | -                                             | 503,742                                 | 23.73%                                                              |
| 2013                                                 | 113,698                                          | 113,698                                                                             | -                                             | 479,136                                 | 23.73%                                                              |
| 2012                                                 | 87,135                                           | 87,135                                                                              | -                                             | 512,559                                 | 17.00%                                                              |
| 2011                                                 | 87,198                                           | 87,198                                                                              | -                                             | 512,928                                 | 17.00%                                                              |
| <b>Component Unit School Board (professional)</b>    |                                                  |                                                                                     |                                               |                                         |                                                                     |
| 2020                                                 | \$ 1,767,607                                     | \$ 1,767,607                                                                        | \$ -                                          | \$ 11,629,331                           | 15.20%                                                              |
| 2019                                                 | 1,839,146                                        | 1,839,146                                                                           | -                                             | 12,065,156                              | 15.24%                                                              |
| 2018                                                 | 1,867,973                                        | 1,867,973                                                                           | -                                             | 11,697,771                              | 15.97%                                                              |
| 2017                                                 | 1,706,857                                        | 1,706,857                                                                           | -                                             | 11,642,954                              | 14.66%                                                              |
| 2016                                                 | 1,632,707                                        | 1,632,707                                                                           | -                                             | 11,653,559                              | 14.01%                                                              |
| 2015                                                 | 1,682,744                                        | 1,682,744                                                                           | -                                             | 11,644,367                              | 14.45%                                                              |
| 2014                                                 | 1,403,886                                        | 1,403,886                                                                           | -                                             | 12,040,187                              | 11.66%                                                              |
| 2013                                                 | 1,311,060                                        | 1,311,060                                                                           | -                                             | 11,244,082                              | 11.66%                                                              |
| 2012                                                 | 735,293                                          | 735,293                                                                             | -                                             | 11,615,998                              | 6.33%                                                               |
| 2011                                                 | 1,094,073                                        | 1,094,073                                                                           | -                                             | 12,221,764                              | 8.95%                                                               |

Notes to Required Supplementary Information  
VRS Pension Plan  
For the Year Ended June 30, 2020

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**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2018, valuations were based on the results of an actuarial experience study for the period from July 1, 2012, through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) – Non-Hazardous Duty:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Lowered rates                                                                                   |
| Salary Scale                                                            | No change                                                                                       |
| Line of Duty Disability                                                 | Increased rate from 14.00% to 15.00%                                                            |
| Discount Rate                                                           | Decreased rate from 7.00% to 6.75%                                                              |

All Others (Non 10 Largest) – Hazardous Duty:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Increased age 50 rates, and lowered rates at older ages                                         |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Adjusted rates to better fit experience                                                         |
| Salary Scale                                                            | No change                                                                                       |
| Line of Duty Disability                                                 | Decreased rate from 60.00% to 45.00%                                                            |
| Discount Rate                                                           | Decreased rate from 7.00% to 6.75%                                                              |

Component Unit School Board - Professional Employees

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Adjusted rates to better match experience                                                       |
| Salary Scale                                                            | No change                                                                                       |

Schedule of the City of Martinsville, Virginia's Share of Net OPEB Liability  
 Group Life Insurance (GLI) Plan  
 For the Measurement Dates of June 30, 2017 through June 30, 2019

| <u>Date</u>                                           | <u>Employer's<br/>Proportion of the<br/>Net GLI OPEB<br/>Liability</u> | <u>Employer's<br/>Proportionate<br/>Share of the<br/>Net GLI OPEB<br/>Liability</u> | <u>Employer's<br/>Covered<br/>Payroll</u> | <u>Employer's<br/>Proportionate Share<br/>of the Net GLI OPEB<br/>Liability<br/>as a Percentage of<br/>Covered Payroll</u> | <u>Plan Fiduciary<br/>Net Position as a<br/>Percentage of Total<br/>GLI OPEB Liability</u> |
|-------------------------------------------------------|------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <b>Primary Government:</b>                            |                                                                        |                                                                                     |                                           |                                                                                                                            |                                                                                            |
| 2019                                                  | 0.06584% \$                                                            | 1,063,675 \$                                                                        | 12,813,125                                | 8.3014%                                                                                                                    | 52.00%                                                                                     |
| 2018                                                  | 0.06556%                                                               | 996,180                                                                             | 12,417,162                                | 8.0226%                                                                                                                    | 51.22%                                                                                     |
| 2017                                                  | 0.06690%                                                               | 1,006,978                                                                           | 12,340,571                                | 8.1599%                                                                                                                    | 48.86%                                                                                     |
| <b>Component Unit School Board (nonprofessional):</b> |                                                                        |                                                                                     |                                           |                                                                                                                            |                                                                                            |
| 2019                                                  | 0.00250% \$                                                            | 40,682 \$                                                                           | 488,976                                   | 8.3198%                                                                                                                    | 52.00%                                                                                     |
| 2018                                                  | 0.00256%                                                               | 39,000                                                                              | 487,266                                   | 8.0038%                                                                                                                    | 51.22%                                                                                     |
| 2017                                                  | 0.00255%                                                               | 38,000                                                                              | 470,771                                   | 8.0719%                                                                                                                    | 48.86%                                                                                     |
| <b>Component Unit School Board (professional):</b>    |                                                                        |                                                                                     |                                           |                                                                                                                            |                                                                                            |
| 2019                                                  | 0.06131% \$                                                            | 997,677 \$                                                                          | 12,019,507                                | 8.3005%                                                                                                                    | 52.00%                                                                                     |
| 2018                                                  | 0.06141%                                                               | 933,000                                                                             | 11,676,842                                | 7.9902%                                                                                                                    | 51.22%                                                                                     |
| 2017                                                  | 0.06306%                                                               | 948,000                                                                             | 11,631,723                                | 8.1501%                                                                                                                    | 48.86%                                                                                     |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

## Schedule of Employer Contributions

## Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2011 through June 30, 2020

| Date                                                 | Contractually<br>Required<br>Contribution<br>(1) | Contributions in<br>Relation to<br>Contractually<br>Required<br>Contribution<br>(2) | Contribution<br>Deficiency<br>(Excess)<br>(3) | Employer's<br>Covered<br>Employee<br>Payroll<br>(4) | Contributions<br>as a % of<br>Covered<br>Employee<br>Payroll<br>(5) |
|------------------------------------------------------|--------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------|---------------------------------------------------------------------|
| <b>Primary Government</b>                            |                                                  |                                                                                     |                                               |                                                     |                                                                     |
| 2020                                                 | \$ 70,239                                        | \$ 70,239                                                                           | \$ -                                          | \$ 13,507,364                                       | 0.52%                                                               |
| 2019                                                 | 67,127                                           | 67,127                                                                              | -                                             | 12,813,125                                          | 0.52%                                                               |
| 2018                                                 | 64,569                                           | 64,569                                                                              | -                                             | 12,417,162                                          | 0.52%                                                               |
| 2017                                                 | 64,171                                           | 64,171                                                                              | -                                             | 12,340,571                                          | 0.52%                                                               |
| 2016                                                 | 59,337                                           | 59,337                                                                              | -                                             | 12,361,953                                          | 0.48%                                                               |
| 2015                                                 | 58,581                                           | 58,581                                                                              | -                                             | 12,204,419                                          | 0.48%                                                               |
| 2014                                                 | 56,829                                           | 56,829                                                                              | -                                             | 11,839,409                                          | 0.48%                                                               |
| 2013                                                 | 55,161                                           | 55,161                                                                              | -                                             | 11,491,834                                          | 0.48%                                                               |
| 2012                                                 | 32,503                                           | 32,503                                                                              | -                                             | 11,608,253                                          | 0.28%                                                               |
| 2011                                                 | 32,610                                           | 32,610                                                                              | -                                             | 11,646,407                                          | 0.28%                                                               |
| <b>Component Unit School Board (nonprofessional)</b> |                                                  |                                                                                     |                                               |                                                     |                                                                     |
| 2020                                                 | \$ 2,149                                         | \$ 2,149                                                                            | \$ -                                          | \$ 413,317                                          | 0.52%                                                               |
| 2019                                                 | 2,543                                            | 2,543                                                                               | -                                             | 488,976                                             | 0.52%                                                               |
| 2018                                                 | 2,553                                            | 2,553                                                                               | -                                             | 487,266                                             | 0.52%                                                               |
| 2017                                                 | 2,448                                            | 2,448                                                                               | -                                             | 470,771                                             | 0.52%                                                               |
| 2016                                                 | 2,140                                            | 2,140                                                                               | -                                             | 445,817                                             | 0.48%                                                               |
| 2015                                                 | 2,125                                            | 2,125                                                                               | -                                             | 442,703                                             | 0.48%                                                               |
| 2014                                                 | 2,451                                            | 2,451                                                                               | -                                             | 510,590                                             | 0.48%                                                               |
| 2013                                                 | 2,300                                            | 2,300                                                                               | -                                             | 479,136                                             | 0.48%                                                               |
| 2012                                                 | 1,435                                            | 1,435                                                                               | -                                             | 512,559                                             | 0.28%                                                               |
| 2011                                                 | 1,436                                            | 1,436                                                                               | -                                             | 512,928                                             | 0.28%                                                               |
| <b>Component Unit School Board (professional)</b>    |                                                  |                                                                                     |                                               |                                                     |                                                                     |
| 2020                                                 | \$ 60,638                                        | \$ 60,638                                                                           | \$ -                                          | \$ 11,661,219                                       | 0.52%                                                               |
| 2019                                                 | 62,501                                           | 62,501                                                                              | -                                             | 12,019,507                                          | 0.52%                                                               |
| 2018                                                 | 61,187                                           | 61,187                                                                              | -                                             | 11,676,842                                          | 0.52%                                                               |
| 2017                                                 | 60,485                                           | 60,485                                                                              | -                                             | 11,631,723                                          | 0.52%                                                               |
| 2016                                                 | 55,718                                           | 55,718                                                                              | -                                             | 11,607,840                                          | 0.48%                                                               |
| 2015                                                 | 59,769                                           | 59,769                                                                              | -                                             | 12,451,790                                          | 0.48%                                                               |
| 2014                                                 | 58,179                                           | 58,179                                                                              | -                                             | 12,120,551                                          | 0.48%                                                               |
| 2013                                                 | 54,023                                           | 54,023                                                                              | -                                             | 11,254,751                                          | 0.48%                                                               |
| 2012                                                 | 32,568                                           | 32,568                                                                              | -                                             | 11,631,466                                          | 0.28%                                                               |
| 2011                                                 | 34,494                                           | 34,494                                                                              | -                                             | 12,319,318                                          | 0.28%                                                               |

Notes to Required Supplementary Information  
Group Life Insurance (GLI) Plan  
For the Year Ended June 30, 2020

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**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

**Teachers**

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Adjusted rates to better match experience                                                       |
| Salary Scale                                                            | No change                                                                                       |
| Discount Rate                                                           | Decreased rate from 7.00% to 6.75%                                                              |

**Non-Largest Ten Locality Employers - General Employees**

|                                                                         |                                                                                        |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                  |
| Retirement Rates                                                        | Lowered retirement rates at older ages and extended final retirement age from 70 to 75 |
| Withdrawal Rates                                                        | Adjusted termination rates to better fit experience at each age and service year       |
| Disability Rates                                                        | Lowered disability rates                                                               |
| Salary Scale                                                            | No change                                                                              |
| Line of Duty Disability                                                 | Increased rate from 14.00% to 15.00%                                                   |
| Discount Rate                                                           | Decreased rate from 7.00% to 6.75%                                                     |

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

|                                                                         |                                                                                  |
|-------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020            |
| Retirement Rates                                                        | Increased age 50 rates and lowered rates at older ages                           |
| Withdrawal Rates                                                        | Adjusted termination rates to better fit experience at each age and service year |
| Disability Rates                                                        | Adjusted rates to better match experience                                        |
| Salary Scale                                                            | No change                                                                        |
| Line of Duty Disability                                                 | Decreased rate from 60.00% to 45.00%                                             |
| Discount Rate                                                           | Decreased rate from 7.00% to 6.75%                                               |

Schedule of the City of Martinsville, Virginia School Board's Share of Net OPEB Liability  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 For the Measurement Dates of June 30, 2017 through June 30, 2019

| <b>Date</b> | <b>Employer's<br/>Proportion of the<br/>Net HIC OPEB<br/>Liability</b> | <b>Employer's<br/>Proportionate<br/>Share of the<br/>Net HIC OPEB<br/>Liability</b> | <b>Employer's<br/>Covered<br/>Payroll</b> | <b>Employer's<br/>Proportionate Share<br/>of the Net HIC OPEB<br/>Liability<br/>as a Percentage of<br/>Covered Payroll</b> | <b>Plan Fiduciary<br/>Net Position as a<br/>Percentage of Total<br/>HIC OPEB Liability</b> |
|-------------|------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| 2019        | 0.14320%                                                               | \$ 1,874,627                                                                        | \$ 12,011,142                             | 15.6074%                                                                                                                   | 8.97%                                                                                      |
| 2018        | 0.14438%                                                               | 1,833,000                                                                           | 11,676,842                                | 15.6977%                                                                                                                   | 8.08%                                                                                      |
| 2017        | 0.14714%                                                               | 1,867,000                                                                           | 11,612,639                                | 16.0773%                                                                                                                   | 7.04%                                                                                      |

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions  
Teacher Employee Health Insurance Credit (HIC) Plan  
For the Years Ended June 30, 2011 through June 30, 2020

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| <b>Date</b> | <b>Contractually<br/>Required<br/>Contribution<br/>(1)</b> | <b>Contributions in<br/>Relation to<br/>Contractually<br/>Required<br/>Contribution<br/>(2)</b> | <b>Contribution<br/>Deficiency<br/>(Excess)<br/>(3)</b> | <b>Employer's<br/>Covered<br/>Employee<br/>Payroll<br/>(4)</b> | <b>Contributions<br/>as a % of<br/>Covered<br/>Employee<br/>Payroll<br/>(5)</b> |
|-------------|------------------------------------------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------------------------|
| 2020        | \$ 139,552                                                 | \$ 139,552                                                                                      | \$ -                                                    | \$ 11,629,331                                                  | 1.20%                                                                           |
| 2019        | 144,134                                                    | 144,134                                                                                         | -                                                       | 12,011,142                                                     | 1.20%                                                                           |
| 2018        | 143,625                                                    | 143,625                                                                                         | -                                                       | 11,676,842                                                     | 1.23%                                                                           |
| 2017        | 128,900                                                    | 128,900                                                                                         | -                                                       | 11,612,639                                                     | 1.11%                                                                           |
| 2016        | 123,000                                                    | 123,000                                                                                         | -                                                       | 11,603,738                                                     | 1.06%                                                                           |
| 2015        | 131,395                                                    | 131,395                                                                                         | -                                                       | 12,395,708                                                     | 1.06%                                                                           |
| 2014        | 133,646                                                    | 133,646                                                                                         | -                                                       | 12,040,187                                                     | 1.11%                                                                           |
| 2013        | 124,748                                                    | 124,748                                                                                         | -                                                       | 11,238,585                                                     | 1.11%                                                                           |
| 2012        | 69,696                                                     | 69,696                                                                                          | -                                                       | 11,615,998                                                     | 0.60%                                                                           |
| 2011        | 73,331                                                     | 73,331                                                                                          | -                                                       | 12,221,764                                                     | 0.60%                                                                           |

Notes to Required Supplementary Information  
 Teacher Employee Health Insurance Credit (HIC) Plan  
 For the Year Ended June 30, 2020

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**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** – The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

|                                                                         |                                                                                                 |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Mortality Rates (pre-retirement, post-retirement healthy, and disabled) | Updated to a more current mortality table - RP-2014 projected to 2020                           |
| Retirement Rates                                                        | Lowered rates at older ages and changed final retirement from 70 to 75                          |
| Withdrawal Rates                                                        | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates                                                        | Adjusted rates to better match experience                                                       |
| Salary Scale                                                            | No change                                                                                       |
| Discount Rate                                                           | Decreased rate from 7.00% to 6.75%                                                              |

Schedule of Changes in Total OPEB Liability and Related Ratios  
City and School OPEB Plan  
For the Years Ended June 30, 2018 through June 30, 2020

|                                                                                     | 2020                | 2019                | 2018                |
|-------------------------------------------------------------------------------------|---------------------|---------------------|---------------------|
| <b>Primary Government:</b>                                                          |                     |                     |                     |
| <b>Total OPEB liability</b>                                                         |                     |                     |                     |
| Service cost                                                                        | \$ 46,000           | \$ 69,000           | \$ 67,000           |
| Interest                                                                            | 125,000             | 114,000             | 118,000             |
| Differences between expected and actual experience                                  | (14,000)            | 264,000             | -                   |
| Changes of assumptions                                                              | 97,000              | 230,000             | -                   |
| Benefit payments, including refunds of employee contributions                       | (397,000)           | (375,000)           | (241,000)           |
| <b>Net change in total OPEB liability</b>                                           | <b>\$ (143,000)</b> | <b>\$ 302,000</b>   | <b>\$ (56,000)</b>  |
| <b>Total OPEB liability - beginning</b>                                             | <b>3,608,000</b>    | <b>3,306,000</b>    | <b>3,362,000</b>    |
| <b>Total OPEB liability - ending</b>                                                | <b>\$ 3,465,000</b> | <b>\$ 3,608,000</b> | <b>\$ 3,306,000</b> |
| <br><b>Covered payroll</b>                                                          | <br>\$ 5,601,000    | <br>\$ 5,601,000    | <br>\$ 7,427,000    |
| <br><b>City's total OPEB liability (asset) as a percentage of covered payroll</b>   | <br>61.86%          | <br>64.42%          | <br>44.51%          |
| <b>Component Unit School Board:</b>                                                 |                     |                     |                     |
| <b>Total OPEB liability</b>                                                         |                     |                     |                     |
| Service cost                                                                        | \$ 19,000           | \$ 23,000           | \$ 22,000           |
| Interest                                                                            | 24,000              | 25,000              | 26,000              |
| Differences between expected and actual experience                                  | 19,000              | 38,000              | -                   |
| Changes of assumptions                                                              | 18,000              | (11,000)            | -                   |
| Benefit payments, including refunds of employee contributions                       | (88,000)            | (108,000)           | (48,000)            |
| <b>Net change in total OPEB liability</b>                                           | <b>\$ (8,000)</b>   | <b>\$ (33,000)</b>  | <b>\$ -</b>         |
| <b>Total OPEB liability - beginning</b>                                             | <b>701,000</b>      | <b>734,000</b>      | <b>734,000</b>      |
| <b>Total OPEB liability - ending</b>                                                | <b>\$ 693,000</b>   | <b>\$ 701,000</b>   | <b>\$ 734,000</b>   |
| <br><b>Covered payroll</b>                                                          | <br>\$ 4,072,000    | <br>\$ 4,072,000    | <br>\$ 4,764,000    |
| <br><b>School's total OPEB liability (asset) as a percentage of covered payroll</b> | <br>17.02%          | <br>17.22%          | <br>15.41%          |

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - City and School's OPEB  
For the Year Ended June 30, 2020

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Valuation Date: 7/1/2018  
Measurement Date: 7/1/2019

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

*Methods and assumptions used to determine OPEB liability:*

|                       |                                                                                                                                                             |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method | Entry Age Actuarial Cost Method                                                                                                                             |
| Discount Rate         | 3.13%                                                                                                                                                       |
| Salary Scale          | 2.50%                                                                                                                                                       |
| Healthcare Trend Rate | 3.96% for fiscal year end 2019 (to reflect actual experience), then 7.00% for fiscal year end 2020, decreasing 0.25% per year to an ultimate rate of 5.00%. |
| Mortality Rates       | RP 2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019                        |

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## **Other Supplementary Information**

## **Combining and Individual Fund Financial Statements and Schedules**

## Meals Tax Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual  
For the Year Ended June 30, 2020

|                                                              | <b>Original<br/>Budget</b> | <b>Budget<br/>As<br/>Amended</b> | <b>Actual</b>            | <b>Variance<br/>From<br/>Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|--------------------------------------------------------------|----------------------------|----------------------------------|--------------------------|---------------------------------------------------------------------------|
| Revenues:                                                    |                            |                                  |                          |                                                                           |
| Other local taxes                                            | \$ 1,880,000               | \$ 1,880,000                     | \$ 1,960,507             | \$ 80,507                                                                 |
| Intergovernmental:                                           |                            |                                  |                          |                                                                           |
| Federal                                                      | 370,744                    | 370,744                          | 373,384                  | 2,640                                                                     |
| Total revenues                                               | <u>\$ 2,250,744</u>        | <u>\$ 2,250,744</u>              | <u>\$ 2,333,891</u>      | <u>\$ 83,147</u>                                                          |
| Expenditures:                                                |                            |                                  |                          |                                                                           |
| Current:                                                     |                            |                                  |                          |                                                                           |
| General government administration                            | \$ 55,112                  | \$ 55,112                        | \$ 55,112                | \$ -                                                                      |
| Debt service:                                                |                            |                                  |                          |                                                                           |
| Principal retirement                                         | 1,055,439                  | 1,055,439                        | 1,055,439                | -                                                                         |
| Interest and other fiscal charges                            | 466,548                    | 466,548                          | 466,548                  | -                                                                         |
| Total expenditures                                           | <u>\$ 1,577,099</u>        | <u>\$ 1,577,099</u>              | <u>\$ 1,577,099</u>      | <u>\$ -</u>                                                               |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>\$ 673,645</u>          | <u>\$ 673,645</u>                | <u>\$ 756,792</u>        | <u>\$ 83,147</u>                                                          |
| Other financing sources (uses):                              |                            |                                  |                          |                                                                           |
| Transfers (out)                                              | <u>\$ (673,645)</u>        | <u>\$ (673,645)</u>              | <u>\$ (673,645)</u>      | <u>\$ -</u>                                                               |
| Changes in fund balances                                     | \$ -                       | \$ -                             | \$ 83,147                | \$ 83,147                                                                 |
| Fund balances at beginning of year                           | <u>-</u>                   | <u>-</u>                         | <u>475,359</u>           | <u>475,359</u>                                                            |
| Fund balances at end of year                                 | <u><u>\$ -</u></u>         | <u><u>\$ -</u></u>               | <u><u>\$ 558,506</u></u> | <u><u>\$ 558,506</u></u>                                                  |

Nonmajor Governmental Funds  
Combining Balance Sheet  
At June 30, 2020

|                                                | Special Revenue Funds |                   | Capital Projects Fund |                     |
|------------------------------------------------|-----------------------|-------------------|-----------------------|---------------------|
|                                                | City Grants Fund      | CARES Fund        | Capital Reserve Fund  | Total               |
| <b>ASSETS</b>                                  |                       |                   |                       |                     |
| Cash and cash equivalents                      | \$ 105,676            | \$ 834,168        | \$ 1,011,701          | \$ 1,951,545        |
| Total assets                                   | <u>\$ 105,676</u>     | <u>\$ 834,168</u> | <u>\$ 1,011,701</u>   | <u>\$ 1,951,545</u> |
| <b>LIABILITIES</b>                             |                       |                   |                       |                     |
| Accounts payable and other current liabilities | \$ 15,005             | \$ 126,140        | \$ 69,090             | \$ 210,235          |
| Unearned revenue                               | <u>-</u>              | <u>708,028</u>    | <u>-</u>              | <u>708,028</u>      |
| Total liabilities                              | <u>\$ 15,005</u>      | <u>\$ 834,168</u> | <u>\$ 69,090</u>      | <u>\$ 918,263</u>   |
| <b>FUND BALANCES</b>                           |                       |                   |                       |                     |
| Assigned:                                      |                       |                   |                       |                     |
| Capital reserve fund                           | \$ -                  | \$ -              | \$ 942,611            | \$ 942,611          |
| Special revenue                                | <u>90,671</u>         | <u>-</u>          | <u>-</u>              | <u>90,671</u>       |
| Total fund balances                            | <u>\$ 90,671</u>      | <u>\$ -</u>       | <u>\$ 942,611</u>     | <u>\$ 1,033,282</u> |
| Total liabilities and fund balances            | <u>\$ 105,676</u>     | <u>\$ 834,168</u> | <u>\$ 1,011,701</u>   | <u>\$ 1,951,545</u> |

## Nonmajor Governmental Funds

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2020

|                                                                  | Special Revenue Funds |            | Capital Projects Fund |                |
|------------------------------------------------------------------|-----------------------|------------|-----------------------|----------------|
|                                                                  | City Grants Fund      | CARES Fund | Capital Reserve Fund  | Total          |
| <b>Revenues:</b>                                                 |                       |            |                       |                |
| Revenue from use of money and property                           | \$ 25,642             | \$ -       | \$ 27,776             | \$ 53,418      |
| Miscellaneous                                                    | -                     | -          | 75,458                | 75,458         |
| Intergovernmental:                                               |                       |            |                       |                |
| Commonwealth                                                     | -                     | -          | 124,641               | 124,641        |
| Federal                                                          | -                     | 387,260    | -                     | 387,260        |
| Total revenues                                                   | \$ 25,642             | \$ 387,260 | \$ 227,875            | \$ 640,777     |
| <b>Expenditures:</b>                                             |                       |            |                       |                |
| General government administration                                | \$ -                  | \$ -       | \$ 561,712            | \$ 561,712     |
| Public safety                                                    | -                     | 254,776    | 562,149               | 816,925        |
| Public works                                                     | -                     | -          | 528,154               | 528,154        |
| Planning and community development                               | 5,316                 | 132,484    | -                     | 137,800        |
| Debt service:                                                    |                       |            |                       |                |
| Principal retirement                                             | -                     | -          | 234,800               | 234,800        |
| Interest and fiscal charges                                      | -                     | -          | 38,497                | 38,497         |
| Total expenditures                                               | \$ 5,316              | \$ 387,260 | \$ 1,925,312          | \$ 2,317,888   |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | \$ 20,326             | \$ -       | \$ (1,697,437)        | \$ (1,677,111) |
| <b>Other financing sources:</b>                                  |                       |            |                       |                |
| Capital lease proceeds                                           | \$ -                  | \$ -       | \$ 1,214,500          | \$ 1,214,500   |
| Transfers in                                                     | -                     | -          | 1,366,048             | 1,366,048      |
| Total other financing sources                                    | \$ -                  | \$ -       | \$ 2,580,548          | \$ 2,580,548   |
| <b>Changes in fund balances</b>                                  | \$ 20,326             | \$ -       | \$ 883,111            | \$ 903,437     |
| <b>Fund balances at beginning of year</b>                        | 70,345                | -          | 59,500                | 129,845        |
| <b>Fund balances at end of year</b>                              | \$ 90,671             | \$ -       | \$ 942,611            | \$ 1,033,282   |

**CITY OF MARTINSVILLE, VIRGINIA**

Nonmajor Governmental Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual

For the Year Ended June 30, 2020

|                                                                      | Special Revenue Funds |                         |           |                                                               |
|----------------------------------------------------------------------|-----------------------|-------------------------|-----------|---------------------------------------------------------------|
|                                                                      | City Grants Fund      |                         |           | Variance<br>From<br>Final<br>Budget<br>Positive<br>(Negative) |
|                                                                      | Original<br>Budget    | Budget<br>As<br>Amended | Actual    |                                                               |
| <b>Revenues:</b>                                                     |                       |                         |           |                                                               |
| Revenue from use of money<br>and property                            | \$ 28,048             | \$ 28,048               | \$ 25,642 | \$ (2,406)                                                    |
| Miscellaneous                                                        | -                     | -                       | -         | -                                                             |
| Intergovernmental:                                                   |                       |                         |           |                                                               |
| Commonwealth                                                         | -                     | -                       | -         | -                                                             |
| Federal                                                              | -                     | -                       | -         | -                                                             |
| Total revenues                                                       | \$ 28,048             | \$ 28,048               | \$ 25,642 | \$ (2,406)                                                    |
| <b>Expenditures:</b>                                                 |                       |                         |           |                                                               |
| General government<br>administration                                 | \$ -                  | \$ -                    | \$ -      | \$ -                                                          |
| Public safety                                                        | -                     | -                       | -         | -                                                             |
| Public works                                                         | -                     | -                       | -         | -                                                             |
| Parks, recreation, and cultural                                      | -                     | -                       | -         | -                                                             |
| Community development                                                | 2,354                 | 22,103                  | 5,316     | 16,787                                                        |
| Debt service:                                                        |                       |                         |           |                                                               |
| Principal retirement                                                 | -                     | -                       | -         | -                                                             |
| Interest and fiscal charges                                          | -                     | -                       | -         | -                                                             |
| Total expenditures                                                   | \$ 2,354              | \$ 22,103               | \$ 5,316  | \$ 16,787                                                     |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | \$ 25,694             | \$ 5,945                | \$ 20,326 | \$ 14,381                                                     |
| <b>Other financing sources (uses):</b>                               |                       |                         |           |                                                               |
| Capital lease proceeds                                               | -                     | -                       | -         | -                                                             |
| Transfers in                                                         | -                     | -                       | -         | -                                                             |
| <b>Changes in fund balances</b>                                      | \$ 25,694             | \$ 5,945                | \$ 20,326 | \$ 14,381                                                     |
| <b>Fund balances at beginning of<br/>year</b>                        | (25,694)              | (5,945)                 | 70,345    | 76,290                                                        |
| <b>Fund balances at end of year</b>                                  | \$ -                  | \$ -                    | \$ 90,671 | \$ 90,671                                                     |

| Special Revenue Funds |                         |            |                                                               | Capital Projects Fund |                         |                |                                                               |
|-----------------------|-------------------------|------------|---------------------------------------------------------------|-----------------------|-------------------------|----------------|---------------------------------------------------------------|
| CARES Fund            |                         |            |                                                               | Capital Reserve Fund  |                         |                |                                                               |
| Original<br>Budget    | Budget<br>As<br>Amended | Actual     | Variance<br>From<br>Final<br>Budget<br>Positive<br>(Negative) | Original<br>Budget    | Budget<br>As<br>Amended | Actual         | Variance<br>From<br>Final<br>Budget<br>Positive<br>(Negative) |
| \$ -                  | \$ -                    | \$ -       | \$ -                                                          | \$ -                  | \$ 25,790               | \$ 27,776      | \$ 1,986                                                      |
| -                     | -                       | -          | -                                                             | -                     | 43,133                  | 75,458         | 32,325                                                        |
| -                     | -                       | -          | -                                                             | -                     | 2,868                   | 124,641        | 121,773                                                       |
| -                     | 1,095,288               | 387,260    | (708,028)                                                     | -                     | -                       | -              | -                                                             |
| \$ -                  | \$ 1,095,288            | \$ 387,260 | \$ (708,028)                                                  | \$ -                  | \$ 71,791               | \$ 227,875     | \$ 156,084                                                    |
| \$ -                  | \$ -                    | \$ -       | \$ -                                                          | \$ 142,998            | \$ 650,349              | \$ 561,712     | \$ 88,637                                                     |
| -                     | 845,288                 | 254,776    | 590,512                                                       | 1,111,264             | 1,227,420               | 562,149        | 665,271                                                       |
| -                     | -                       | -          | -                                                             | 786,768               | 804,368                 | 528,154        | 276,214                                                       |
| -                     | -                       | -          | -                                                             | 11,000                | 9,000                   | -              | 9,000                                                         |
| -                     | 250,000                 | 132,484    | 117,516                                                       | -                     | -                       | -              | -                                                             |
| -                     | -                       | -          | -                                                             | -                     | -                       | -              | -                                                             |
| -                     | -                       | -          | -                                                             | 234,800               | 234,800                 | 234,800        | -                                                             |
| -                     | -                       | -          | -                                                             | 21,590                | 21,590                  | 38,497         | -16,907                                                       |
| \$ -                  | \$ 1,095,288            | \$ 387,260 | \$ 708,028                                                    | \$ 2,308,420          | \$ 2,947,527            | \$ 1,925,312   | \$ 1,022,215                                                  |
| \$ -                  | \$ -                    | \$ -       | \$ -                                                          | \$ (2,308,420)        | \$ (2,875,736)          | \$ (1,697,437) | \$ 1,178,299                                                  |
| -                     | -                       | -          | -                                                             | 1,360,403             | 1,360,403               | 1,214,500      | -145,903                                                      |
| -                     | -                       | -          | -                                                             | 948,017               | 1,366,048               | 1,366,048      | -                                                             |
| \$ -                  | \$ -                    | \$ -       | \$ -                                                          | \$ -                  | \$ (149,285)            | \$ 883,111     | \$ 1,032,396                                                  |
| -                     | -                       | -          | -                                                             | -                     | 149,285                 | 59,500         | -89,785                                                       |
| \$ -                  | \$ -                    | \$ -       | \$ -                                                          | \$ -                  | \$ -                    | \$ 942,611     | \$ 942,611                                                    |

Combining Statement of Fiduciary Net Position -  
Agency Funds  
At June 30, 2020

|                            | <u>Insurance<br/>Trust<br/>Fund</u> | <u>Inmate<br/>Welfare<br/>Fund</u> | <u>Police<br/>Academy<br/>Fund</u> | <u>Southern<br/>Virginia<br/>Recreation<br/>Facility<br/>Authority<br/>Fund</u> | <u>Blue<br/>Ridge<br/>Regional<br/>Library<br/>Fund</u> | <u>Dan River<br/>ASAP<br/>Fund</u> | <u>Total</u>        |
|----------------------------|-------------------------------------|------------------------------------|------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------|------------------------------------|---------------------|
| <b>ASSETS</b>              |                                     |                                    |                                    |                                                                                 |                                                         |                                    |                     |
| Cash and cash equivalents  | \$ 434,981                          | \$ 186,640                         | \$ 359,641                         | \$ 84,516                                                                       | \$ 380,606                                              | \$ 90,724                          | \$ 1,537,108        |
| Due from other governments | -                                   | -                                  | -                                  | 57,586                                                                          | -                                                       | -                                  | 57,586              |
| Total assets               | <u>\$ 434,981</u>                   | <u>\$ 186,640</u>                  | <u>\$ 359,641</u>                  | <u>\$ 142,102</u>                                                               | <u>\$ 380,606</u>                                       | <u>\$ 90,724</u>                   | <u>\$ 1,594,694</u> |
| <b>LIABILITIES</b>         |                                     |                                    |                                    |                                                                                 |                                                         |                                    |                     |
| Accounts payable           | \$ -                                | \$ 516                             | \$ 7,851                           | \$ 73,855                                                                       | \$ 135,167                                              | \$ 2,742                           | \$ 220,131          |
| Amounts held for others    | 434,981                             | 186,124                            | 351,790                            | 68,247                                                                          | 245,439                                                 | 87,982                             | 1,374,563           |
| Total liabilities          | <u>\$ 434,981</u>                   | <u>\$ 186,640</u>                  | <u>\$ 359,641</u>                  | <u>\$ 142,102</u>                                                               | <u>\$ 380,606</u>                                       | <u>\$ 90,724</u>                   | <u>\$ 1,594,694</u> |

Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
For the Year Ended June 30, 2020

|                                                                | Balance<br>Beginning<br>of Year | Additions           | Deletions           | Balance<br>End of<br>Year |
|----------------------------------------------------------------|---------------------------------|---------------------|---------------------|---------------------------|
| <b>Insurance Trust Fund:</b>                                   |                                 |                     |                     |                           |
| Assets:                                                        |                                 |                     |                     |                           |
| Cash and cash equivalents                                      | \$ 618,805                      | \$ 4,267,973        | \$ 4,451,797        | \$ 434,981                |
| Total assets                                                   | <u>\$ 618,805</u>               | <u>\$ 4,267,973</u> | <u>\$ 4,451,797</u> | <u>\$ 434,981</u>         |
| Liabilities:                                                   |                                 |                     |                     |                           |
| Amounts held for others                                        | \$ 618,805                      | \$ 4,267,973        | \$ 4,451,797        | \$ 434,981                |
| Total liabilities                                              | <u>\$ 618,805</u>               | <u>\$ 4,267,973</u> | <u>\$ 4,451,797</u> | <u>\$ 434,981</u>         |
| <b>Inmate Welfare Fund:</b>                                    |                                 |                     |                     |                           |
| Assets:                                                        |                                 |                     |                     |                           |
| Cash and cash equivalents                                      | \$ 165,962                      | \$ 444,502          | \$ 423,824          | \$ 186,640                |
| Total assets                                                   | <u>\$ 165,962</u>               | <u>\$ 444,502</u>   | <u>\$ 423,824</u>   | <u>\$ 186,640</u>         |
| Liabilities:                                                   |                                 |                     |                     |                           |
| Accounts payable                                               | \$ 776                          | \$ 516              | \$ 776              | \$ 516                    |
| Amounts held for others                                        | 165,186                         | 443,986             | 423,048             | 186,124                   |
| Total liabilities                                              | <u>\$ 165,962</u>               | <u>\$ 444,502</u>   | <u>\$ 423,824</u>   | <u>\$ 186,640</u>         |
| <b>Police Academy Fund:</b>                                    |                                 |                     |                     |                           |
| Assets:                                                        |                                 |                     |                     |                           |
| Cash and cash equivalents                                      | \$ 312,745                      | \$ 436,931          | \$ 390,035          | \$ 359,641                |
| Total assets                                                   | <u>\$ 312,745</u>               | <u>\$ 436,931</u>   | <u>\$ 390,035</u>   | <u>\$ 359,641</u>         |
| Liabilities:                                                   |                                 |                     |                     |                           |
| Accounts payable                                               | \$ 2,759                        | \$ 7,851            | \$ 2,759            | \$ 7,851                  |
| Amounts held for others                                        | 309,986                         | 429,080             | 387,276             | 351,790                   |
| Total liabilities                                              | <u>\$ 312,745</u>               | <u>\$ 436,931</u>   | <u>\$ 390,035</u>   | <u>\$ 359,641</u>         |
| <b>Southern Virginia Recreation Facilities Authority Fund:</b> |                                 |                     |                     |                           |
| Assets:                                                        |                                 |                     |                     |                           |
| Cash and cash equivalents                                      | \$ 27,584                       | \$ 1,210,224        | \$ 1,153,292        | \$ 84,516                 |
| Due from other governments                                     | 42,059                          | 57,586              | 42,059              | 57,586                    |
| Total assets                                                   | <u>\$ 69,643</u>                | <u>\$ 1,267,810</u> | <u>\$ 1,195,351</u> | <u>\$ 142,102</u>         |
| Liabilities:                                                   |                                 |                     |                     |                           |
| Accounts payable                                               | \$ 53,401                       | \$ 73,855           | \$ 53,401           | \$ 73,855                 |
| Amounts held for others                                        | 16,242                          | 1,193,955           | 1,141,950           | 68,247                    |
| Total liabilities                                              | <u>\$ 69,643</u>                | <u>\$ 1,267,810</u> | <u>\$ 1,195,351</u> | <u>\$ 142,102</u>         |
| <b>Blue Ridge Regional Library Fund:</b>                       |                                 |                     |                     |                           |
| Assets:                                                        |                                 |                     |                     |                           |
| Cash and cash equivalents                                      | \$ 301,636                      | \$ 1,742,816        | \$ 1,663,846        | \$ 380,606                |
| Total assets                                                   | <u>\$ 301,636</u>               | <u>\$ 1,742,816</u> | <u>\$ 1,663,846</u> | <u>\$ 380,606</u>         |
| Liabilities:                                                   |                                 |                     |                     |                           |
| Accounts payable                                               | \$ 34,795                       | \$ 135,167          | \$ 34,795           | \$ 135,167                |
| Amounts held for others                                        | 266,841                         | 1,607,649           | 1,629,051           | 245,439                   |
| Total liabilities                                              | <u>\$ 301,636</u>               | <u>\$ 1,742,816</u> | <u>\$ 1,663,846</u> | <u>\$ 380,606</u>         |
| <b>Dan River ASAP Fund:</b>                                    |                                 |                     |                     |                           |
| Assets:                                                        |                                 |                     |                     |                           |
| Cash and cash equivalents                                      | \$ 139,676                      | \$ 223,163          | \$ 272,115          | \$ 90,724                 |
| Total assets                                                   | <u>\$ 139,676</u>               | <u>\$ 223,163</u>   | <u>\$ 272,115</u>   | <u>\$ 90,724</u>          |
| Liabilities:                                                   |                                 |                     |                     |                           |
| Accounts payable                                               | \$ 3,006                        | \$ 2,742            | \$ 3,006            | \$ 2,742                  |
| Amounts held for others                                        | 136,670                         | 220,421             | 269,109             | 87,982                    |
| Total liabilities                                              | <u>\$ 139,676</u>               | <u>\$ 223,163</u>   | <u>\$ 272,115</u>   | <u>\$ 90,724</u>          |
| <b>Total -- All Agency Funds</b>                               |                                 |                     |                     |                           |
| Assets:                                                        |                                 |                     |                     |                           |
| Cash and cash equivalents                                      | \$ 1,566,408                    | \$ 8,325,609        | \$ 8,354,909        | \$ 1,537,108              |
| Due from other governments                                     | 42,059                          | 57,586              | 42,059              | 57,586                    |
| Total assets                                                   | <u>\$ 1,608,467</u>             | <u>\$ 8,383,195</u> | <u>\$ 8,396,968</u> | <u>\$ 1,594,694</u>       |
| Liabilities:                                                   |                                 |                     |                     |                           |
| Accounts payable                                               | \$ 94,737                       | \$ 220,131          | \$ 94,737           | \$ 220,131                |
| Amounts held for others                                        | 1,513,730                       | 8,163,064           | 8,302,231           | 1,374,563                 |
| Total liabilities                                              | <u>\$ 1,608,467</u>             | <u>\$ 8,383,195</u> | <u>\$ 8,396,968</u> | <u>\$ 1,594,694</u>       |

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**Discretely Presented Component Unit—School Board**

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Combining Balance Sheet  
Discretely Presented Component Unit -- School Board  
At June 30, 2020

|                                     | School<br>Operating<br>Fund | School<br>Cafeteria<br>Fund | School<br>Grants<br>Fund | Totals              |
|-------------------------------------|-----------------------------|-----------------------------|--------------------------|---------------------|
| <b>ASSETS</b>                       |                             |                             |                          |                     |
| Cash and cash equivalents           | \$ 101,560                  | \$ 1,809,102                | \$ 76,583                | \$ 1,987,245        |
| Due from other governments          | 697,475                     | 84,680                      | 265,371                  | 1,047,526           |
| Due from other funds                | 253,212                     | -                           | -                        | 253,212             |
| Total assets                        | <u>\$ 1,052,247</u>         | <u>\$ 1,893,782</u>         | <u>\$ 341,954</u>        | <u>\$ 3,287,983</u> |
| <b>LIABILITIES</b>                  |                             |                             |                          |                     |
| Accounts payable                    | \$ 273,082                  | \$ 26,479                   | \$ 1,511                 | \$ 301,072          |
| Accrued liabilities                 | 779,165                     | 28,215                      | 72,654                   | 880,034             |
| Due to other funds                  | -                           | -                           | 253,212                  | 253,212             |
| Total liabilities                   | <u>\$ 1,052,247</u>         | <u>\$ 54,694</u>            | <u>\$ 327,377</u>        | <u>\$ 1,434,318</u> |
| <b>FUND BALANCES</b>                |                             |                             |                          |                     |
| Committed:                          |                             |                             |                          |                     |
| School food program                 | \$ -                        | \$ 1,839,088                | \$ -                     | \$ 1,839,088        |
| Education                           | -                           | -                           | 14,577                   | 14,577              |
| Total fund balances                 | <u>\$ -</u>                 | <u>\$ 1,839,088</u>         | <u>\$ 14,577</u>         | <u>\$ 1,853,665</u> |
| Total liabilities and fund balances | <u>\$ 1,052,247</u>         | <u>\$ 1,893,782</u>         | <u>\$ 341,954</u>        | <u>\$ 3,287,983</u> |

Detailed explanation of adjustments from fund statements to government-wide Statement of Net Position:

Total Fund balances, above \$ 1,853,665

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. 12,016,812

Items related to the measurement of the net pension, group life insurance OPEB, and health insurance OPEB liabilities are considered deferred outflows and will be amortized and recognized as expenses in future periods.

Deferred outflows related to:

|               |              |           |
|---------------|--------------|-----------|
| Pension items | \$ 3,768,683 |           |
| OPEB items    | 428,701      | 4,197,384 |

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds. All liabilities--both current and long-term--are reported in the statement of net position.

Details supporting this adjustment are as follows:

|                                              |              |
|----------------------------------------------|--------------|
| Net pension liability                        | (20,448,894) |
| Net OPEB liability - group life insurance    | (1,038,359)  |
| Net OPEB liability - health insurance credit | (1,874,627)  |
| Total Pay-as-you-Go OPEB liability           | (693,000)    |

Items related to the measurement of the net pension, group life insurance OPEB, and health insurance OPEB liabilities are considered deferred inflows and will be amortized and recognized as expenses in future periods.

Deferred inflows related to:

|               |                |             |
|---------------|----------------|-------------|
| Pension items | \$ (2,803,629) |             |
| OPEB items    | (209,216)      | (3,012,845) |

Net position of General Government Activities \$ (8,999,864)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2020

|                                           | <b>School<br/>Operating<br/>Fund</b> | <b>School<br/>Cafeteria<br/>Fund</b> | <b>School<br/>Grants<br/>Fund</b> | <b>Total</b>  |
|-------------------------------------------|--------------------------------------|--------------------------------------|-----------------------------------|---------------|
| <b>Revenues:</b>                          |                                      |                                      |                                   |               |
| Revenue from use of money and property    | \$ 26,862                            | \$ 50,491                            | \$ -                              | \$ 77,353     |
| Charges for services                      | -                                    | 75,956                               | -                                 | 75,956        |
| Miscellaneous                             | 220,915                              | -                                    | -                                 | 220,915       |
| Recovered costs                           | 798,600                              | -                                    | -                                 | 798,600       |
| Intergovernmental:                        |                                      |                                      |                                   |               |
| Local government                          | 5,137,207                            | -                                    | -                                 | 5,137,207     |
| Commonwealth                              | 15,024,824                           | 62,784                               | -                                 | 15,087,608    |
| Federal                                   | 29,846                               | 1,532,652                            | 1,655,589                         | 3,218,087     |
| Total revenues                            | \$ 21,238,254                        | \$ 1,721,883                         | \$ 1,655,589                      | \$ 24,615,726 |
| <b>Expenditures:</b>                      |                                      |                                      |                                   |               |
| Current:                                  |                                      |                                      |                                   |               |
| Education                                 | \$ 21,262,963                        | \$ 1,627,181                         | \$ 1,654,823                      | \$ 24,544,967 |
| Total expenditures                        | \$ 21,262,963                        | \$ 1,627,181                         | \$ 1,654,823                      | \$ 24,544,967 |
| <b>Other financing sources (uses):</b>    |                                      |                                      |                                   |               |
| Insurance recoveries                      | \$ 24,709                            | \$ -                                 | \$ -                              | \$ 24,709     |
| Total other financing sources (uses)      | \$ 24,709                            | \$ -                                 | \$ -                              | \$ 24,709     |
| <b>Changes in fund balances</b>           | \$ -                                 | \$ 94,702                            | \$ 766                            | \$ 95,468     |
| <b>Fund balances at beginning of year</b> | -                                    | 1,744,386                            | 13,811                            | 1,758,197     |
| <b>Fund balances at end of year</b>       | \$ -                                 | \$ 1,839,088                         | \$ 14,577                         | \$ 1,853,665  |

Discretely Presented Component Unit - School Board  
 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, 2020

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Net changes in fund balances - total governmental funds \$ 95,468

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 depreciation exceeded capital outlays in the current period computed as follows:

|                      |           |           |
|----------------------|-----------|-----------|
| Capital outlays      | \$ 17,775 |           |
| Depreciation expense | (671,300) | (653,525) |

Transfer of joint tenancy assets from Primary Government to Component Unit School Board 903,439

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of the following:

|                                        |            |         |
|----------------------------------------|------------|---------|
| Change in deferred inflows related to: |            |         |
| Pension items                          | \$ 654,901 |         |
| OPEB items                             | 36,784     | 691,685 |

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. The following is a summary of items supporting this adjustment:

|                                                        |              |           |
|--------------------------------------------------------|--------------|-----------|
| Change in deferred outflows related to:                |              |           |
| Pension items                                          | \$ 1,417,066 |           |
| OPEB items                                             | 142,523      |           |
| Change in net pension liability                        | (2,036,638)  |           |
| Change in net OPEB liability - group life insurance    | (66,359)     |           |
| Change in net OPEB liability - health insurance credit | (41,627)     |           |
| Change in total Pay-as-you-Go OPEB liability           | 8,000        | (577,035) |

Changes in net position of governmental activities \$ 460,032

**CITY OF MARTINSVILLE, 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, 2020

|                                                          | <b>School Operating Fund</b> |                                  |               | <b>Variance<br/>From<br/>Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|----------------------------------------------------------|------------------------------|----------------------------------|---------------|---------------------------------------------------------------------------|
|                                                          | <b>Original<br/>Budget</b>   | <b>Budget<br/>As<br/>Amended</b> | <b>Actual</b> |                                                                           |
| <b>Revenues:</b>                                         |                              |                                  |               |                                                                           |
| Revenue from use of money and property                   | \$ -                         | \$ -                             | \$ 26,862     | \$ 26,862                                                                 |
| Charges for services                                     | -                            | -                                | -             | -                                                                         |
| Miscellaneous                                            | -                            | 260,155                          | 220,915       | (39,240)                                                                  |
| Recovered costs                                          | 797,483                      | 797,483                          | 798,600       | 1,117                                                                     |
| Intergovernmental:                                       |                              |                                  |               |                                                                           |
| Local government                                         | 6,228,276                    | 6,228,276                        | 5,137,207     | (1,091,069)                                                               |
| Commonwealth                                             | 14,965,837                   | 15,179,710                       | 15,024,824    | (154,886)                                                                 |
| Federal                                                  | 30,224                       | 30,224                           | 29,846        | (378)                                                                     |
| Total revenues                                           | \$ 22,021,820                | \$ 22,495,848                    | \$ 21,238,254 | \$ (1,257,594)                                                            |
| <b>Expenditures:</b>                                     |                              |                                  |               |                                                                           |
| Current:                                                 |                              |                                  |               |                                                                           |
| Education                                                | \$ 22,021,820                | \$ 22,655,937                    | \$ 21,262,963 | \$ 1,392,974                                                              |
| Total expenditures                                       | \$ 22,021,820                | \$ 22,655,937                    | \$ 21,262,963 | \$ 1,392,974                                                              |
| <b>Excess (deficiency) of revenues over expenditures</b> | \$ -                         | \$ (160,089)                     | \$ (24,709)   | \$ 135,380                                                                |
| <b>Other financing sources (uses):</b>                   |                              |                                  |               |                                                                           |
| Insurance recoveries                                     | \$ -                         | \$ -                             | \$ 24,709     | \$ (24,709)                                                               |
| Total other financing sources (uses)                     | \$ -                         | \$ -                             | \$ 24,709     | \$ (24,709)                                                               |
| <b>Changes in fund balances</b>                          | \$ -                         | \$ (160,089)                     | \$ -          | \$ 110,671                                                                |
| <b>Fund balances at beginning of year</b>                | -                            | 160,089                          | -             | (160,089)                                                                 |
| <b>Fund balances at end of year</b>                      | \$ -                         | \$ -                             | \$ -          | \$ -                                                                      |

| School Cafeteria Fund |                         |              |                                                               | School Grants Fund |                         |              |                                                                 |
|-----------------------|-------------------------|--------------|---------------------------------------------------------------|--------------------|-------------------------|--------------|-----------------------------------------------------------------|
| Original<br>Budget    | Budget<br>As<br>Amended | Actual       | Variance<br>From<br>Final<br>Budget<br>Positive<br>(Negative) | Original<br>Budget | Budget<br>As<br>Amended | Actual       | Variance<br>From<br>Amended<br>Budget<br>Positive<br>(Negative) |
| \$ 40,000             | \$ 40,000               | \$ 50,491    | \$ 10,491                                                     | \$ -               | \$ -                    | \$ -         | \$ -                                                            |
| 208,000               | 208,000                 | 75,956       | (132,044)                                                     | -                  | -                       | -            | -                                                               |
| -                     | -                       | -            | -                                                             | -                  | -                       | -            | -                                                               |
| -                     | -                       | -            | -                                                             | -                  | -                       | -            | -                                                               |
| -                     | -                       | -            | -                                                             | -                  | -                       | -            | -                                                               |
| 47,606                | 47,606                  | 62,784       | 15,178                                                        | -                  | -                       | -            | -                                                               |
| 1,400,000             | 1,400,000               | 1,532,652    | 132,652                                                       | -                  | 2,014,943               | 1,655,589    | (359,354)                                                       |
| \$ 1,695,606          | \$ 1,695,606            | \$ 1,721,883 | \$ 26,277                                                     | \$ -               | \$ 2,014,943            | \$ 1,655,589 | \$ (359,354)                                                    |
| \$ 1,715,706          | \$ 1,715,706            | \$ 1,627,181 | \$ 88,525                                                     | \$ -               | \$ 2,014,943            | \$ 1,654,823 | \$ 360,120                                                      |
| \$ 1,715,706          | \$ 1,715,706            | \$ 1,627,181 | \$ 88,525                                                     | \$ -               | \$ 2,014,943            | \$ 1,654,823 | \$ 360,120                                                      |
| \$ (20,100)           | \$ (20,100)             | \$ 94,702    | \$ 114,802                                                    | \$ -               | \$ -                    | \$ 766       | \$ 766                                                          |
| \$ -                  | \$ -                    | \$ -         | \$ -                                                          | \$ -               | \$ -                    | \$ -         | \$ -                                                            |
| \$ -                  | \$ -                    | \$ -         | \$ -                                                          | \$ -               | \$ -                    | \$ -         | \$ -                                                            |
| \$ (20,100)           | \$ (20,100)             | \$ 94,702    | \$ 114,802                                                    | \$ -               | \$ -                    | \$ 766       | \$ 766                                                          |
| 20,100                | 20,100                  | 1,744,386    | 1,724,286                                                     | -                  | -                       | 13,811       | 13,811                                                          |
| \$ -                  | \$ -                    | \$ 1,839,088 | \$ 1,839,088                                                  | \$ -               | \$ -                    | \$ 14,577    | \$ 14,577                                                       |

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## **Supporting Schedules**

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Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 For the Year Ended June 30, 2020

| <u>Fund, Major and Minor Revenue Source</u>           | <u>Original<br/>Budget</u> | <u>Budget<br/>As<br/>Amended</u> | <u>Actual</u> | <u>Variance<br/>From Final<br/>Budget<br/>Positive<br/>(Negative)</u> |
|-------------------------------------------------------|----------------------------|----------------------------------|---------------|-----------------------------------------------------------------------|
| <b>Primary Government:</b>                            |                            |                                  |               |                                                                       |
| <b>General Fund:</b>                                  |                            |                                  |               |                                                                       |
| Revenue from local sources:                           |                            |                                  |               |                                                                       |
| General property taxes:                               |                            |                                  |               |                                                                       |
| Real property taxes                                   | \$ 6,525,000               | \$ 6,525,000                     | \$ 6,695,334  | \$ 170,334                                                            |
| Real and personal public service corporation taxes    | 263,000                    | 263,000                          | 283,656       | 20,656                                                                |
| Personal property taxes                               | 860,000                    | 860,000                          | 936,192       | 76,192                                                                |
| Business equipment                                    | 950,000                    | 950,000                          | 1,023,074     | 73,074                                                                |
| Machinery and tools taxes                             | 120,000                    | 120,000                          | 123,823       | 3,823                                                                 |
| Penalties                                             | 115,000                    | 115,000                          | 143,788       | 28,788                                                                |
| Interest and costs                                    | 115,000                    | 115,000                          | 129,736       | 14,736                                                                |
| Total general property taxes                          | \$ 8,948,000               | \$ 8,948,000                     | \$ 9,335,603  | \$ 387,603                                                            |
| Other local taxes:                                    |                            |                                  |               |                                                                       |
| Local sales and use taxes                             | \$ 2,010,500               | \$ 2,010,500                     | \$ 2,075,778  | \$ 65,278                                                             |
| Consumers' utility taxes                              | 654,400                    | 654,400                          | 566,901       | (87,499)                                                              |
| Business license tax                                  | 1,800,000                  | 1,800,000                        | 1,908,324     | 108,324                                                               |
| Franchise license taxes                               | 20,000                     | 20,000                           | 20,000        | -                                                                     |
| Motor vehicle licenses                                | 335,000                    | 335,000                          | 340,887       | 5,887                                                                 |
| Bank franchise tax                                    | 310,000                    | 310,000                          | 279,160       | (30,840)                                                              |
| Taxes on recordation and wills                        | 45,000                     | 45,000                           | 46,488        | 1,488                                                                 |
| Grantor tax                                           | 16,000                     | 16,000                           | 75,501        | 59,501                                                                |
| Cigarette tax                                         | 175,000                    | 175,000                          | 152,963       | (22,037)                                                              |
| Rental tax                                            | 170                        | 170                              | 135           | (35)                                                                  |
| Transient room tax                                    | 14,500                     | 14,500                           | 14,667        | 167                                                                   |
| Total other local taxes                               | \$ 5,380,570               | \$ 5,380,570                     | \$ 5,480,804  | \$ 100,234                                                            |
| Permits, privilege fees and regulatory licenses:      |                            |                                  |               |                                                                       |
| Animal licenses                                       | \$ 3,500                   | \$ 3,500                         | \$ 3,347      | \$ (153)                                                              |
| Other permits and licenses                            | 59,150                     | 59,625                           | 106,312       | 46,687                                                                |
| Total permits, privilege fees and regulatory licenses | \$ 62,650                  | \$ 63,125                        | \$ 109,659    | \$ 46,534                                                             |
| Fines and Forfeitures:                                |                            |                                  |               |                                                                       |
| Court fines and forfeitures                           | \$ 135,000                 | \$ 135,000                       | \$ 90,825     | \$ (44,175)                                                           |
| Other fines and forfeitures                           | 13,100                     | 13,794                           | 9,099         | (4,695)                                                               |
| Total fines and forfeitures                           | \$ 148,100                 | \$ 148,794                       | \$ 99,924     | \$ (48,870)                                                           |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 For the Year Ended June 30, 2020 (Continued)

| <b>Fund, Major and Minor Revenue Source</b>  | <b>Original<br/>Budget</b> | <b>Budget<br/>As<br/>Amended</b> | <b>Actual</b> | <b>Variance<br/>From Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|----------------------------------------------|----------------------------|----------------------------------|---------------|-----------------------------------------------------------------------|
| <b>Primary Government: (Continued)</b>       |                            |                                  |               |                                                                       |
| <b>General Fund: (Continued)</b>             |                            |                                  |               |                                                                       |
| Revenue from use of money and property:      |                            |                                  |               |                                                                       |
| Revenue from use of money                    | \$ 400,050                 | \$ 400,050                       | \$ 392,815    | \$ (7,235)                                                            |
| Revenue from use of property                 | 758,292                    | 758,292                          | 760,348       | 2,056                                                                 |
| Total revenue from use of money and property | \$ 1,158,342               | \$ 1,158,342                     | \$ 1,153,163  | \$ (5,179)                                                            |
| Charges for services:                        |                            |                                  |               |                                                                       |
| Sheriff fees                                 | \$ 3,624                   | \$ 3,624                         | \$ 3,624      | \$ -                                                                  |
| Courthouse maintenance fees                  | 8,000                      | 8,000                            | 5,511         | (2,489)                                                               |
| Court appointed attorney fees                | 8,000                      | 8,000                            | 5,100         | (2,900)                                                               |
| Court house security fees                    | 22,000                     | 22,000                           | 15,446        | (6,554)                                                               |
| Ambulance Fees                               | 500,000                    | 500,000                          | 659,135       | 159,135                                                               |
| Document reproduction fee                    | 1,800                      | 1,800                            | 1,496         | (304)                                                                 |
| Remote access fee                            | 8,000                      | 8,000                            | 8,588         | 588                                                                   |
| Commonwealth attorney fees                   | 4,000                      | 4,000                            | 4,127         | 127                                                                   |
| Other public safety fees                     | 8,450                      | 8,450                            | 6,710         | (1,740)                                                               |
| Recreation fees                              | 3,000                      | 3,000                            | 2,241         | (759)                                                                 |
| Prison farm labor / street maintenance       | 24,000                     | 24,000                           | 24,000        | -                                                                     |
| Telecom services                             | 1,650,119                  | 1,650,119                        | 1,631,721     | (18,398)                                                              |
| Other charges for services                   | 51,000                     | 51,000                           | 19,158        | (31,842)                                                              |
| Total charges for services                   | \$ 2,291,993               | \$ 2,291,993                     | \$ 2,386,857  | \$ 94,864                                                             |
| Miscellaneous:                               |                            |                                  |               |                                                                       |
| Payment in lieu of tax                       | \$ 378,743                 | \$ 378,743                       | \$ 378,743    | \$ -                                                                  |
| Other miscellaneous revenue                  | 37,500                     | 37,788                           | 97,612        | 59,824                                                                |
| Total miscellaneous                          | \$ 416,243                 | \$ 416,531                       | \$ 476,355    | \$ 59,824                                                             |
| Recovered costs:                             |                            |                                  |               |                                                                       |
| WW Moore                                     | \$ 30,000                  | \$ 30,000                        | \$ 22,577     | \$ (7,423)                                                            |
| SSI / LIDS                                   | 500                        | 500                              | 3,400         | 2,900                                                                 |
| Circuit court and J&DR court                 | 1,000                      | 1,000                            | 1,359         | 359                                                                   |
| Meals tax administration                     | 55,112                     | 55,112                           | 55,112        | -                                                                     |
| Street maintenance overhead                  | 499,950                    | 499,950                          | 499,950       | -                                                                     |
| Demolition                                   | 3,000                      | 3,000                            | 1,716         | (1,284)                                                               |
| Advance / recovered cost                     | 100,000                    | 196,560                          | 208,578       | 12,018                                                                |
| Health department                            | 5,000                      | 5,000                            | 7,223         | 2,223                                                                 |
| Juror and witness                            | 5,000                      | 5,000                            | 4,192         | (808)                                                                 |
| Sheriff                                      | -                          | 100                              | 10,597        | 10,497                                                                |
| Medical co-pay reimbursement                 | 10,000                     | 10,000                           | 5,395         | (4,605)                                                               |
| Treasurer                                    | 15,000                     | 15,000                           | 18,295        | 3,295                                                                 |
| Project lifesaver                            | 1,000                      | 1,000                            | 390           | (610)                                                                 |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 For the Year Ended June 30, 2020 (Continued)

| Fund, Major and Minor Revenue Source   | Original<br>Budget | Budget<br>As<br>Amended | Actual        | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
|----------------------------------------|--------------------|-------------------------|---------------|------------------------------------------------------------|
| <b>Primary Government: (Continued)</b> |                    |                         |               |                                                            |
| <b>General Fund: (Continued)</b>       |                    |                         |               |                                                            |
| Recovered costs: (Continued)           |                    |                         |               |                                                            |
| Traffic reimbursement                  | \$ 1,000           | \$ 1,000                | \$ 469        | \$ (531)                                                   |
| Telecom recovered costs                | 73,284             | 76,017                  | 66,837        | (9,180)                                                    |
| Collection expense                     | 59,571             | 59,571                  | 59,571        | -                                                          |
| Billing expense                        | 358,316            | 358,316                 | 358,316       | -                                                          |
| Safety expense                         | 15,943             | 15,943                  | 15,943        | -                                                          |
| Communication                          | 6,849              | 6,849                   | 6,849         | -                                                          |
| Public safety                          | 40,000             | 60,769                  | 60,768        | (1)                                                        |
| Inmate fees                            | 55,000             | 55,000                  | 76,158        | 21,158                                                     |
| Crisis intervention team               | 35,000             | 35,000                  | 51,219        | 16,219                                                     |
| Central garage                         | 167,990            | 167,990                 | 167,990       | -                                                          |
| Other central services                 | 573,810            | 573,810                 | 573,810       | -                                                          |
| Senior citizens                        | 6,000              | 10,988                  | 5,115         | (5,873)                                                    |
| Social services                        | 23,525             | 23,525                  | 23,526        | 1                                                          |
| Program income                         | 1,200              | 1,200                   | 1,728         | 528                                                        |
| EMS Training                           | 5,000              | 5,000                   | 350           | (4,650)                                                    |
| Senior citizens - transportation       | 2,800              | 2,800                   | 1,585         | (1,215)                                                    |
| Fiscal agent fees - regional library   | 3,600              | 3,600                   | 3,600         | -                                                          |
| Total recovered costs                  | \$ 2,154,450       | \$ 2,279,600            | \$ 2,312,618  | \$ 33,018                                                  |
| Total revenue from local sources       | \$ 20,560,348      | \$ 20,686,955           | \$ 21,354,983 | \$ 668,028                                                 |
| Intergovernmental:                     |                    |                         |               |                                                            |
| Revenue from the Commonwealth:         |                    |                         |               |                                                            |
| Noncategorical aid:                    |                    |                         |               |                                                            |
| Rolling stock tax                      | \$ 8,400           | \$ 8,400                | \$ 8,488      | \$ 88                                                      |
| Recordation tax                        | 15,000             | 15,000                  | 23,435        | 8,435                                                      |
| PPTRA                                  | 626,428            | 626,428                 | 626,428       | -                                                          |
| Communications tax                     | 750,000            | 750,000                 | 750,186       | 186                                                        |
| Auto rental tax                        | 85,000             | 85,000                  | 87,953        | 2,953                                                      |
| Total noncategorical aid               | \$ 1,484,828       | \$ 1,484,828            | \$ 1,496,490  | \$ 11,662                                                  |
| Categorical aid:                       |                    |                         |               |                                                            |
| Shared expenses:                       |                    |                         |               |                                                            |
| Commonwealth's attorney                | \$ 524,202         | \$ 525,825              | \$ 517,146    | \$ (8,679)                                                 |
| Sheriff                                | 1,987,635          | 1,987,635               | 1,980,802     | (6,833)                                                    |
| Commissioner of the Revenue            | 109,343            | 109,343                 | 109,077       | (266)                                                      |
| Treasurer                              | 91,305             | 91,305                  | 91,223        | (82)                                                       |
| Registrar/electoral board              | 37,200             | 37,200                  | 50,041        | 12,841                                                     |
| Clerk of the circuit court             | 317,577            | 317,577                 | 324,393       | 6,816                                                      |
| Total shared expenses                  | \$ 3,067,262       | \$ 3,068,885            | \$ 3,072,682  | \$ 3,797                                                   |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 For the Year Ended June 30, 2020 (Continued)

| Fund, Major and Minor Revenue Source         | Original<br>Budget   | Budget<br>As<br>Amended | Actual               | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
|----------------------------------------------|----------------------|-------------------------|----------------------|------------------------------------------------------------|
| <b>Primary Government: (Continued)</b>       |                      |                         |                      |                                                            |
| Intergovernmental: (Continued)               |                      |                         |                      |                                                            |
| Revenue from the Commonwealth: (Continued)   |                      |                         |                      |                                                            |
| Other categorical aid:                       |                      |                         |                      |                                                            |
| Senior citizens                              | \$ 10,000            | \$ 10,000               | \$ 10,606            | \$ 606                                                     |
| Confiscated assets                           | -                    | 20,640                  | 20,639               | (1)                                                        |
| Victim witness                               | 28,240               | 28,240                  | 25,062               | (3,178)                                                    |
| House Bill # 599 - police                    | 935,927              | 935,927                 | 935,928              | 1                                                          |
| EMS four for life                            | 10,000               | 10,000                  | 12,431               | 2,431                                                      |
| Fire grant                                   | 39,000               | 50,338                  | 50,338               | -                                                          |
| Street maintenance                           | 3,482,696            | 3,482,696               | 3,397,770            | (84,926)                                                   |
| Jail per diem                                | 320,000              | 320,000                 | 287,332              | (32,668)                                                   |
| Comprehensive services                       | 200,000              | 200,000                 | 384,301              | 184,301                                                    |
| VDOT highway projects                        | -                    | 540,389                 | 609,795              | 69,406                                                     |
| Other categorical aid                        | -                    | 2,000                   | 81,992               | 79,992                                                     |
| Total other categorical aid                  | \$ 5,025,863         | \$ 5,600,230            | \$ 5,816,194         | \$ 215,964                                                 |
| Total categorical aid                        | \$ 8,093,125         | \$ 8,669,115            | \$ 8,888,876         | \$ 219,761                                                 |
| Total revenue from the Commonwealth          | \$ 9,577,953         | \$ 10,153,943           | \$ 10,385,366        | \$ 231,423                                                 |
| Revenue from the federal government:         |                      |                         |                      |                                                            |
| Categorical aid:                             |                      |                         |                      |                                                            |
| Victim witness                               | \$ 84,719            | \$ 84,719               | \$ 75,514            | \$ (9,205)                                                 |
| Confiscated assets                           | -                    | 23,653                  | 23,653               | -                                                          |
| DMV grant - police                           | 12,000               | 12,000                  | 9,216                | (2,784)                                                    |
| Senior citizens                              | 20,000               | 24,688                  | 19,653               | (5,035)                                                    |
| Viper overtime grant                         | 9,000                | 9,000                   | 7,540                | (1,460)                                                    |
| Bulletproof vest grant                       | -                    | 17,360                  | 21,721               | 4,361                                                      |
| Brownfields grant                            | -                    | 92,179                  | 92,179               | -                                                          |
| Street construction                          | -                    | 162,578                 | 162,578              | -                                                          |
| FEMA                                         | 617,662              | 617,662                 | 209,809              | (407,853)                                                  |
| Provider relief funds                        | -                    | 27,342                  | 27,342               | -                                                          |
| Other categorical aid                        | 5,000                | 144,231                 | 189,103              | 44,872                                                     |
| Total categorical aid                        | \$ 748,381           | \$ 1,215,412            | \$ 838,308           | \$ (377,104)                                               |
| Total revenue from the Federal Government    | \$ 748,381           | \$ 1,215,412            | \$ 838,308           | \$ (377,104)                                               |
| <b>Total General Fund</b>                    | <b>\$ 30,886,682</b> | <b>\$ 32,056,310</b>    | <b>\$ 32,578,657</b> | <b>\$ 522,347</b>                                          |
| <b>Special Revenue Funds:</b>                |                      |                         |                      |                                                            |
| <b>City Grants Fund:</b>                     |                      |                         |                      |                                                            |
| Revenue from local sources:                  |                      |                         |                      |                                                            |
| Revenue from use of money and property:      |                      |                         |                      |                                                            |
| Revenue from use of money                    | \$ 890               | \$ 890                  | \$ 1,212             | \$ 322                                                     |
| Revenue from use of property                 | 27,158               | 27,158                  | 24,430               | (2,728)                                                    |
| Total revenue from use of money and property | \$ 28,048            | \$ 28,048               | \$ 25,642            | \$ (2,406)                                                 |
| Total revenue from local sources             | \$ 28,048            | \$ 28,048               | \$ 25,642            | \$ (2,406)                                                 |
| <b>Total City Grants Fund</b>                | <b>\$ 28,048</b>     | <b>\$ 28,048</b>        | <b>\$ 25,642</b>     | <b>\$ (2,406)</b>                                          |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 For the Year Ended June 30, 2020 (Continued)

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original<br/>Budget</u> | <u>Budget<br/>As<br/>Amended</u> | <u>Actual</u> | <u>Variance<br/>From Final<br/>Budget<br/>Positive<br/>(Negative)</u> |
|---------------------------------------------|----------------------------|----------------------------------|---------------|-----------------------------------------------------------------------|
| <b>Primary Government: (Continued)</b>      |                            |                                  |               |                                                                       |
| <b>Special Revenue Funds: (Continued)</b>   |                            |                                  |               |                                                                       |
| <b>CARES Fund:</b>                          |                            |                                  |               |                                                                       |
| Intergovernmental:                          |                            |                                  |               |                                                                       |
| Revenue from the federal government:        |                            |                                  |               |                                                                       |
| Coronavirus relief funds                    | \$ -                       | \$ 1,095,288                     | \$ 387,260    | \$ (708,028)                                                          |
| <b>Total CARES Fund</b>                     | \$ -                       | \$ 1,095,288                     | \$ 387,260    | \$ (708,028)                                                          |
| <b>Total Special Revenue Funds</b>          | \$ 28,048                  | \$ 1,123,336                     | \$ 412,902    | \$ (710,434)                                                          |
| <b>Capital Projects Funds:</b>              |                            |                                  |               |                                                                       |
| <b>Capital Reserve Fund:</b>                |                            |                                  |               |                                                                       |
| Revenue from local sources:                 |                            |                                  |               |                                                                       |
| Revenue from use of money and property:     |                            |                                  |               |                                                                       |
| Revenue from use of money                   | \$ -                       | \$ 25,790                        | \$ 27,776     | \$ 1,986                                                              |
| Miscellaneous revenue:                      |                            |                                  |               |                                                                       |
| Miscellaneous                               | \$ -                       | \$ 43,133                        | \$ 75,458     | \$ 32,325                                                             |
| Total revenue from local sources            | \$ -                       | \$ 68,923                        | \$ 103,234    | \$ 34,311                                                             |
| Intergovernmental:                          |                            |                                  |               |                                                                       |
| Revenue from the Commonwealth:              |                            |                                  |               |                                                                       |
| Categorical aid:                            |                            |                                  |               |                                                                       |
| Jail construction reimbursement             | \$ -                       | \$ 2,868                         | \$ 124,641    | \$ 121,773                                                            |
| Total revenue from the Commonwealth         | \$ -                       | \$ 2,868                         | \$ 124,641    | \$ 121,773                                                            |
| <b>Total Capital Reserve Fund</b>           | \$ -                       | \$ 71,791                        | \$ 227,875    | \$ 156,084                                                            |
| <b>Meals Tax Fund:</b>                      |                            |                                  |               |                                                                       |
| Revenue from local sources:                 |                            |                                  |               |                                                                       |
| Other local taxes:                          |                            |                                  |               |                                                                       |
| Meals taxes                                 | \$ 1,880,000               | \$ 1,880,000                     | \$ 1,960,507  | \$ 80,507                                                             |
| Total revenue from local sources            | \$ 1,880,000               | \$ 1,880,000                     | \$ 1,960,507  | \$ 80,507                                                             |
| Intergovernmental:                          |                            |                                  |               |                                                                       |
| Revenue from the Federal Government         |                            |                                  |               |                                                                       |
| Categorical aid:                            |                            |                                  |               |                                                                       |
| QSCB tax credit                             | \$ 370,744                 | \$ 370,744                       | \$ 373,384    | \$ 2,640                                                              |
| Total revenue from the Federal Government   | \$ 370,744                 | \$ 370,744                       | \$ 373,384    | \$ 2,640                                                              |
| <b>Total Meals Tax Fund</b>                 | \$ 2,250,744               | \$ 2,250,744                     | \$ 2,333,891  | \$ 83,147                                                             |
| <b>Total Capital Projects Funds</b>         | \$ 2,250,744               | \$ 2,322,535                     | \$ 2,561,766  | \$ 239,231                                                            |
| <b>Total Revenues -- Primary Government</b> | \$ 33,165,474              | \$ 35,502,181                    | \$ 35,553,325 | \$ 51,144                                                             |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 For the Year Ended June 30, 2020 (Continued)

| Fund, Major and Minor Revenue Source             | Original<br>Budget | Budget<br>As<br>Amended | Actual        | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
|--------------------------------------------------|--------------------|-------------------------|---------------|------------------------------------------------------------|
| <b>Component Unit-School Board:</b>              |                    |                         |               |                                                            |
| <b>Governmental Funds:</b>                       |                    |                         |               |                                                            |
| <b>School Operating Fund:</b>                    |                    |                         |               |                                                            |
| Revenue from local sources:                      |                    |                         |               |                                                            |
| Revenue from use of money and property:          |                    |                         |               |                                                            |
| Revenue from use of property                     | \$ -               | \$ -                    | \$ 26,862     | \$ 26,862                                                  |
| Miscellaneous revenue:                           |                    |                         |               |                                                            |
| Miscellaneous revenue                            | \$ -               | \$ 260,155              | \$ 220,915    | \$ (39,240)                                                |
| Recovered costs:                                 |                    |                         |               |                                                            |
| Recovered costs                                  | \$ 797,483         | \$ 797,483              | \$ 798,600    | \$ 1,117                                                   |
| Total revenue from local sources                 | \$ 797,483         | \$ 1,057,638            | \$ 1,046,377  | \$ (11,261)                                                |
| Intergovernmental:                               |                    |                         |               |                                                            |
| Revenues from local governments:                 |                    |                         |               |                                                            |
| Contribution from City of Martinsville, Virginia | \$ 6,228,276       | \$ 6,228,276            | \$ 5,137,207  | \$ (1,091,069)                                             |
| Revenue from the Commonwealth:                   |                    |                         |               |                                                            |
| Categorical aid:                                 |                    |                         |               |                                                            |
| Share of state sales tax                         | \$ 2,453,664       | \$ 2,453,664            | \$ 2,473,520  | \$ 19,856                                                  |
| Basic school aid                                 | 5,965,080          | 6,055,307               | 5,977,819     | (77,488)                                                   |
| Share of fringe benefits - FICA                  | 432,182            | 437,121                 | 418,704       | (18,417)                                                   |
| Share of fringe benefits - VRS                   | 955,204            | 966,121                 | 961,749       | (4,372)                                                    |
| English as a second language                     | 106,883            | 98,947                  | 102,650       | 3,703                                                      |
| Group life insurance benefits                    | 28,904             | 29,234                  | 27,924        | (1,310)                                                    |
| Regional tuition special education               | 143,491            | 143,491                 | 171,616       | 28,125                                                     |
| Early reading intervention                       | 68,353             | 68,353                  | 73,611        | 5,258                                                      |
| Vocational SOQ payments                          | 207,833            | 210,208                 | 209,257       | (951)                                                      |
| Special education - basic                        | 850,600            | 860,321                 | 869,642       | 9,321                                                      |
| At risk students                                 | 829,849            | 839,784                 | 836,061       | (3,723)                                                    |
| Homebound education                              | 14,938             | 14,938                  | 12,531        | (2,407)                                                    |
| Remedial education                               | 107,728            | 107,728                 | 102,079       | (5,649)                                                    |
| Remediation SOQ payments                         | 568,443            | 574,939                 | 525,995       | (48,944)                                                   |
| Reduced K-3                                      | 592,781            | 592,781                 | 650,270       | 57,489                                                     |
| Preschool initiative                             | 238,819            | 238,819                 | 238,819       | -                                                          |
| Textbooks                                        | 138,587            | 140,171                 | 139,537       | (634)                                                      |
| Technology                                       | 157,923            | 157,923                 | 8,367         | (149,556)                                                  |
| Other state funds                                | 1,104,575          | 1,189,860               | 1,224,673     | 34,813                                                     |
| Total categorical aid                            | \$ 14,965,837      | \$ 15,179,710           | \$ 15,024,824 | \$ (154,886)                                               |
| Total revenue from the Commonwealth              | \$ 14,965,837      | \$ 15,179,710           | \$ 15,024,824 | \$ (154,886)                                               |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Revenues -- Budget and Actual  
 For the Year Ended June 30, 2020 (Continued)

| <b>Fund, Major and Minor Revenue Source</b>              | <b>Original<br/>Budget</b> | <b>Budget<br/>As<br/>Amended</b> | <b>Actual</b>        | <b>Variance<br/>From Final<br/>Budget<br/>Positive<br/>(Negative)</b> |
|----------------------------------------------------------|----------------------------|----------------------------------|----------------------|-----------------------------------------------------------------------|
| <b>Component Unit-School Board: (Continued)</b>          |                            |                                  |                      |                                                                       |
| <b>Governmental Funds: (Continued)</b>                   |                            |                                  |                      |                                                                       |
| <b>School Operating Fund: (Continued)</b>                |                            |                                  |                      |                                                                       |
| Intergovernmental: (Continued)                           |                            |                                  |                      |                                                                       |
| Revenue from the federal government:                     |                            |                                  |                      |                                                                       |
| Categorical aid:                                         |                            |                                  |                      |                                                                       |
| Other federal categorical aid                            | \$ 30,224                  | \$ 30,224                        | \$ 29,846            | \$ (378)                                                              |
| Total categorical aid                                    | \$ 30,224                  | \$ 30,224                        | \$ 29,846            | \$ (378)                                                              |
| Total revenue from the federal government                | \$ 30,224                  | \$ 30,224                        | \$ 29,846            | \$ (378)                                                              |
| <b>Total School Operating Fund</b>                       | <b>\$ 22,021,820</b>       | <b>\$ 22,495,848</b>             | <b>\$ 21,238,254</b> | <b>\$ (1,257,594)</b>                                                 |
| <b>School Cafeteria Fund:</b>                            |                            |                                  |                      |                                                                       |
| Revenue from local sources:                              |                            |                                  |                      |                                                                       |
| Revenue from use of money and property:                  |                            |                                  |                      |                                                                       |
| Revenue from use of money                                | \$ 40,000                  | \$ 40,000                        | \$ 50,491            | \$ 10,491                                                             |
| Charges for services:                                    |                            |                                  |                      |                                                                       |
| Cafeteria sales                                          | \$ 208,000                 | \$ 208,000                       | \$ 75,956            | \$ (132,044)                                                          |
| Intergovernmental:                                       |                            |                                  |                      |                                                                       |
| Revenue from the Commonwealth:                           |                            |                                  |                      |                                                                       |
| Categorical aid:                                         |                            |                                  |                      |                                                                       |
| School food                                              | \$ 47,606                  | \$ 47,606                        | \$ 62,784            | \$ 15,178                                                             |
| Revenue from the federal government:                     |                            |                                  |                      |                                                                       |
| Categorical aid:                                         |                            |                                  |                      |                                                                       |
| School food                                              | \$ 1,400,000               | \$ 1,400,000                     | \$ 1,532,652         | \$ 132,652                                                            |
| <b>Total School Cafeteria Fund</b>                       | <b>\$ 1,695,606</b>        | <b>\$ 1,695,606</b>              | <b>\$ 1,721,883</b>  | <b>\$ 26,277</b>                                                      |
| <b>School Grants Fund:</b>                               |                            |                                  |                      |                                                                       |
| Intergovernmental:                                       |                            |                                  |                      |                                                                       |
| Revenue from the federal government:                     |                            |                                  |                      |                                                                       |
| Categorical aid:                                         |                            |                                  |                      |                                                                       |
| Title I                                                  | \$ -                       | \$ 1,107,176                     | \$ 906,356           | \$ (200,820)                                                          |
| Title II - teacher quality                               | -                          | 131,393                          | 161,594              | 30,201                                                                |
| Title III - language acquisition grant                   | -                          | 12,980                           | 5,979                | (7,001)                                                               |
| Title IV - student support and academic enrichment       | -                          | 80,679                           | 24,528               | (56,151)                                                              |
| Title VI - rural education                               | -                          | 39,085                           | 6,139                | (32,946)                                                              |
| Special education - flow through                         | -                          | 566,974                          | 537,406              | (29,568)                                                              |
| Special education - preschool                            | -                          | 7,044                            | 8,078                | 1,034                                                                 |
| Perkins vocational education                             | -                          | 69,612                           | 5,509                | (64,103)                                                              |
| Total revenue from the federal government                | \$ -                       | \$ 2,014,943                     | \$ 1,655,589         | \$ (359,354)                                                          |
| <b>Total School Grants Fund</b>                          | <b>\$ -</b>                | <b>\$ 2,014,943</b>              | <b>\$ 1,655,589</b>  | <b>\$ (359,354)</b>                                                   |
| <b>Total Revenues--Component Unit -<br/>School Board</b> | <b>\$ 23,717,426</b>       | <b>\$ 26,206,397</b>             | <b>\$ 24,615,726</b> | <b>\$ (1,590,671)</b>                                                 |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2020

| Fund, Function, Activity and Elements      | Original<br>Budget | Budget<br>As<br>Amended | Actual       | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
|--------------------------------------------|--------------------|-------------------------|--------------|------------------------------------------------------------|
| <b>Primary Government:</b>                 |                    |                         |              |                                                            |
| <b>General Fund:</b>                       |                    |                         |              |                                                            |
| General Government Administration:         |                    |                         |              |                                                            |
| Legislative:                               |                    |                         |              |                                                            |
| City council                               | \$ 44,190          | \$ 44,190               | \$ 37,350    | \$ 6,840                                                   |
| General and Financial Administration:      |                    |                         |              |                                                            |
| Clerk of council                           | \$ 4,351           | \$ 4,351                | \$ 4,293     | \$ 58                                                      |
| City attorney                              | 131,757            | 131,757                 | 100,141      | 31,616                                                     |
| City manager's office                      | 268,526            | 268,526                 | 264,363      | 4,163                                                      |
| Assistant city manager                     | 17,603             | 17,603                  | 64,366       | (46,763)                                                   |
| Legal services                             | 5,000              | 5,000                   | -            | 5,000                                                      |
| Human resources                            | 220,555            | 220,555                 | 183,915      | 36,640                                                     |
| Employment services                        | 396,333            | 401,333                 | 359,781      | 41,552                                                     |
| Communications                             | 22,375             | 22,375                  | 19,076       | 3,299                                                      |
| Commissioner of the Revenue                | 480,184            | 479,824                 | 448,951      | 30,873                                                     |
| Assessor                                   | 1,735              | 2,095                   | 1,031        | 1,064                                                      |
| Treasurer                                  | 355,530            | 358,305                 | 344,242      | 14,063                                                     |
| Finance director                           | 232,121            | 232,121                 | 228,370      | 3,751                                                      |
| Accounting                                 | 177,407            | 177,407                 | 173,347      | 4,060                                                      |
| Utility billing                            | 384,478            | 384,478                 | 353,063      | 31,415                                                     |
| Information services                       | 475,985            | 490,985                 | 443,205      | 47,780                                                     |
| Central garage                             | 477,636            | 477,636                 | 467,455      | 10,181                                                     |
| Purchasing                                 | 176,795            | 176,795                 | 171,839      | 4,956                                                      |
| Risk management                            | 62,346             | 62,346                  | 211,369      | (149,023)                                                  |
| General expenses                           | 291,259            | 341,259                 | 558,878      | (217,619)                                                  |
| Total general and financial administration | \$ 4,181,976       | \$ 4,254,751            | \$ 4,397,685 | \$ (142,934)                                               |
| Board of Elections:                        |                    |                         |              |                                                            |
| Electoral board and officials              | \$ 26,449          | \$ 26,449               | \$ 23,864    | \$ 2,585                                                   |
| Registrar                                  | 128,646            | 128,646                 | 115,269      | 13,377                                                     |
| Total board of elections                   | \$ 155,095         | \$ 155,095              | \$ 139,133   | \$ 15,962                                                  |
| Total general government administration    | \$ 4,381,261       | \$ 4,454,036            | \$ 4,574,168 | \$ (120,132)                                               |
| Judicial Administration:                   |                    |                         |              |                                                            |
| Courts:                                    |                    |                         |              |                                                            |
| Circuit court                              | \$ 86,325          | \$ 86,325               | \$ 76,037    | \$ 10,288                                                  |
| General district court                     | 32,600             | 32,600                  | 20,101       | 12,499                                                     |
| Juvenile and domestic relations court      | 5,425              | 5,425                   | 3,308        | 2,117                                                      |
| Clerk of the circuit court                 | 468,221            | 468,696                 | 450,453      | 18,243                                                     |
| Sheriff - courts                           | 1,043,037          | 1,053,509               | 1,112,763    | (59,254)                                                   |
| Total Courts                               | \$ 1,635,608       | \$ 1,646,555            | \$ 1,662,662 | \$ (16,107)                                                |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2020 (Continued)

| Fund, Function, Activity and Elements                       | Original<br>Budget | Budget<br>As<br>Amended | Actual        | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
|-------------------------------------------------------------|--------------------|-------------------------|---------------|------------------------------------------------------------|
| <b>Primary Government: (Continued)</b>                      |                    |                         |               |                                                            |
| <b>General Fund: (Continued)</b>                            |                    |                         |               |                                                            |
| Commonwealth Attorney:                                      |                    |                         |               |                                                            |
| Commonwealth attorney                                       | \$ 800,779         | \$ 812,278              | \$ 745,426    | \$ 66,852                                                  |
| Victim witness program                                      | 115,596            | 115,596                 | 105,234       | 10,362                                                     |
| Total Commonwealth attorney                                 | \$ 916,375         | \$ 927,874              | \$ 850,660    | \$ 77,214                                                  |
| Total judicial administration                               | \$ 2,551,983       | \$ 2,574,429            | \$ 2,513,322  | \$ 61,107                                                  |
| Public Safety:                                              |                    |                         |               |                                                            |
| Law Enforcement and Traffic Control:                        |                    |                         |               |                                                            |
| Police department                                           | \$ 4,123,138       | \$ 4,453,023            | \$ 3,986,318  | \$ 466,705                                                 |
| Transportation safety commission                            | 1,500              | 1,500                   | 1,497         | 3                                                          |
| Total law enforcement and traffic control                   | \$ 4,124,638       | \$ 4,454,523            | \$ 3,987,815  | \$ 466,708                                                 |
| Fire and Rescue Services:                                   |                    |                         |               |                                                            |
| Fire services                                               | \$ 2,207,356       | \$ 2,233,076            | \$ 1,936,046  | \$ 297,030                                                 |
| Emergency medical services                                  | 225,817            | 307,183                 | 266,351       | 40,832                                                     |
| Total fire and rescue services                              | \$ 2,433,173       | \$ 2,540,259            | \$ 2,202,397  | \$ 337,862                                                 |
| Correction and Detention:                                   |                    |                         |               |                                                            |
| Sheriff -corrections                                        | \$ 3,322,290       | \$ 3,353,655            | \$ 3,379,585  | \$ (25,930)                                                |
| Sheriff -jail annex                                         | 185,394            | 185,494                 | 206,064       | (20,570)                                                   |
| Probation office                                            | 352,585            | 352,585                 | 332,030       | 20,555                                                     |
| Total correction and detention                              | \$ 3,860,269       | \$ 3,891,734            | \$ 3,917,679  | \$ (25,945)                                                |
| Inspections:                                                |                    |                         |               |                                                            |
| Building and other                                          | \$ 302,829         | \$ 380,029              | \$ 337,448    | \$ 42,581                                                  |
| Other Protection:                                           |                    |                         |               |                                                            |
| Safety                                                      | \$ 123,729         | \$ 130,385              | \$ 112,987    | \$ 17,398                                                  |
| Total public safety                                         | \$ 10,844,638      | \$ 11,396,930           | \$ 10,558,326 | \$ 838,604                                                 |
| Public Works:                                               |                    |                         |               |                                                            |
| Maintenance of highways, streets, bridges<br>and sidewalks: |                    |                         |               |                                                            |
| Director of public works                                    | \$ 142,545         | \$ 137,545              | \$ 71,308     | \$ 66,237                                                  |
| Engineering                                                 | 89,250             | 89,250                  | 85,476        | 3,774                                                      |
| Street maintenance                                          | 2,438,146          | 2,655,367               | 2,220,916     | 434,451                                                    |
| Street marking and signs                                    | 197,760            | 197,760                 | 138,861       | 58,899                                                     |
| Traffic signals                                             | 468,251            | 468,251                 | 439,585       | 28,666                                                     |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2020 (Continued)

| Fund, Function, Activity and Elements                                   | Original<br>Budget | Budget<br>As<br>Amended | Actual       | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
|-------------------------------------------------------------------------|--------------------|-------------------------|--------------|------------------------------------------------------------|
| <b>Primary Government: (Continued)</b>                                  |                    |                         |              |                                                            |
| <b>General Fund: (Continued)</b>                                        |                    |                         |              |                                                            |
| Public Works: (Continued)                                               |                    |                         |              |                                                            |
| Maintenance of highways, streets, bridges<br>and sidewalks: (Continued) |                    |                         |              |                                                            |
| Street cleaning                                                         | \$ 378,539         | \$ 378,539              | \$ 373,798   | \$ 4,741                                                   |
| VDOT reserve                                                            | 419,840            | 1,012,153               | 679,542      | 332,611                                                    |
| Street construction                                                     | 241,035            | 241,835                 | 256,133      | (14,298)                                                   |
| Total maintenance of highways, streets, bridges<br>and sidewalks        | \$ 4,375,366       | \$ 5,180,700            | \$ 4,265,619 | \$ 915,081                                                 |
| Maintenance of buildings and grounds:                                   |                    |                         |              |                                                            |
| Uptown maintenance                                                      | \$ 45,980          | \$ 46,555               | \$ 42,663    | \$ 3,892                                                   |
| City hall maintenance                                                   | 462,489            | 462,489                 | 451,932      | 10,557                                                     |
| Warehouse / garage complex                                              | 111,737            | 111,737                 | 105,664      | 6,073                                                      |
| WPBDC building                                                          | 51,800             | 51,800                  | 71,538       | (19,738)                                                   |
| Housing services building                                               | 900                | 900                     | -            | 900                                                        |
| Chief Tassel / Med School building                                      | 3,800              | 3,800                   | 6,735        | (2,935)                                                    |
| Total maintenance of buildings and grounds                              | \$ 676,706         | \$ 677,281              | \$ 678,532   | \$ (1,251)                                                 |
| Total public works                                                      | \$ 5,052,072       | \$ 5,857,981            | \$ 4,944,151 | \$ 913,830                                                 |
| Health and Welfare                                                      |                    |                         |              |                                                            |
| Health:                                                                 |                    |                         |              |                                                            |
| Contribution to local health department                                 | \$ 198,401         | \$ 198,401              | \$ 198,401   | \$ -                                                       |
| Mental Health and Mental Retardation:                                   |                    |                         |              |                                                            |
| Chapter X board                                                         | \$ 58,125          | \$ 58,125               | \$ 58,125    | \$ -                                                       |
| Welfare/Social Services:                                                |                    |                         |              |                                                            |
| Comprehensive services                                                  | \$ 200,000         | \$ 200,000              | \$ 591,879   | \$ (391,879)                                               |
| Regional social services board                                          | 400,303            | 400,303                 | 337,788      | 62,515                                                     |
| Total welfare/social services                                           | \$ 600,303         | \$ 600,303              | \$ 929,667   | \$ (329,364)                                               |
| Total health and welfare                                                | \$ 856,829         | \$ 856,829              | \$ 1,186,193 | \$ (329,364)                                               |
| Education:                                                              |                    |                         |              |                                                            |
| Contributions to community colleges                                     | \$ 19,835          | \$ 19,835               | \$ 19,835    | \$ -                                                       |
| Contributions to School Board Component Unit                            | 6,228,276          | 6,228,276               | 5,137,207    | 1,091,069                                                  |
| Total education                                                         | \$ 6,248,111       | \$ 6,248,111            | \$ 5,157,042 | \$ 1,091,069                                               |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2020 (Continued)

| Fund, Function, Activity and Elements    | Original<br>Budget   | Budget<br>As<br>Amended | Actual               | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
|------------------------------------------|----------------------|-------------------------|----------------------|------------------------------------------------------------|
| <b>Primary Government: (Continued)</b>   |                      |                         |                      |                                                            |
| <b>General Fund: (Continued)</b>         |                      |                         |                      |                                                            |
| Parks, Recreation, and Cultural:         |                      |                         |                      |                                                            |
| Parks and recreation:                    |                      |                         |                      |                                                            |
| Parks & Recreation                       | \$ 50,000            | \$ 50,000               | \$ 50,000            | \$ -                                                       |
| Park maintenance                         | 261,080              | 261,080                 | 241,602              | 19,478                                                     |
| Hooker field/Mustangs                    | 88,991               | 88,991                  | 93,449               | (4,458)                                                    |
| Senior services                          | 208,767              | 218,593                 | 174,645              | 43,948                                                     |
| Total parks and recreation               | \$ 608,838           | \$ 618,664              | \$ 559,696           | \$ 58,968                                                  |
| Library:                                 |                      |                         |                      |                                                            |
| Regional library                         | \$ 295,308           | \$ 295,308              | \$ 295,308           | \$ -                                                       |
| Total parks, recreation and cultural     | \$ 904,146           | \$ 913,972              | \$ 855,004           | \$ 58,968                                                  |
| Community Development:                   |                      |                         |                      |                                                            |
| Planning and Community Development:      |                      |                         |                      |                                                            |
| Community Development                    | \$ 256,910           | \$ 466,876              | \$ 391,128           | \$ 75,748                                                  |
| Telecom system                           | 1,840,233            | 1,842,966               | 1,702,720            | 140,246                                                    |
| Planning and zoning                      | 88,049               | 133,049                 | 48,354               | 84,695                                                     |
| Contributions to local organizations     | 797,011              | 797,011                 | 776,799              | 20,212                                                     |
| Total planning and community development | \$ 2,982,203         | \$ 3,239,902            | \$ 2,918,988         | \$ 320,914                                                 |
| Cooperative Extension Program:           |                      |                         |                      |                                                            |
| Horticulture and family resources        | \$ 7,756             | \$ 7,756                | \$ 7,756             | \$ -                                                       |
| Total community development              | \$ 2,989,959         | \$ 3,247,658            | \$ 2,926,744         | \$ 320,914                                                 |
| <b>Total General Fund</b>                | <b>\$ 33,828,999</b> | <b>\$ 35,549,946</b>    | <b>\$ 32,714,950</b> | <b>\$ 2,834,996</b>                                        |
| <b>Special Revenue Funds:</b>            |                      |                         |                      |                                                            |
| <b>City Grants Fund:</b>                 |                      |                         |                      |                                                            |
| Community Development:                   |                      |                         |                      |                                                            |
| Community development block grant        | \$ 2,354             | \$ 22,103               | \$ 5,316             | \$ 16,787                                                  |
| <b>Total City Grants Fund</b>            | <b>\$ 2,354</b>      | <b>\$ 22,103</b>        | <b>\$ 5,316</b>      | <b>\$ 16,787</b>                                           |
| <b>CARES Fund:</b>                       |                      |                         |                      |                                                            |
| Public safety                            | \$ -                 | \$ 845,288              | \$ 254,776           | \$ 590,512                                                 |
| Community development                    | -                    | 250,000                 | 132,484              | 117,516                                                    |
| <b>Total CARES Fund</b>                  | <b>\$ -</b>          | <b>\$ 1,095,288</b>     | <b>\$ 387,260</b>    | <b>\$ 708,028</b>                                          |
| <b>Total Special Revenue Funds</b>       | <b>\$ 2,354</b>      | <b>\$ 1,117,391</b>     | <b>\$ 392,576</b>    | <b>\$ 724,815</b>                                          |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2020 (Continued)

| Fund, Function, Activity and Elements           | Original<br>Budget  | Budget<br>As<br>Amended | Actual              | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
|-------------------------------------------------|---------------------|-------------------------|---------------------|------------------------------------------------------------|
| <b>Capital Projects Funds:</b>                  |                     |                         |                     |                                                            |
| <b>Capital Reserve Fund:</b>                    |                     |                         |                     |                                                            |
| General Government Administration:              |                     |                         |                     |                                                            |
| Computer software - Commissioner of the Revenue | \$ 17,998           | \$ 17,998               | \$ 10,398           | \$ 7,600                                                   |
| Computer software - information services        | 75,000              | 108,310                 | 107,899             | 411                                                        |
| Physical plant expansion - City Hall            | 50,000              | 39,000                  | 26,662              | 12,338                                                     |
| Physical plant expansion - Schools              | -                   | 485,041                 | 416,753             | 68,288                                                     |
| Total general government administration         | \$ 142,998          | \$ 650,349              | \$ 561,712          | \$ 88,637                                                  |
| Public Safety:                                  |                     |                         |                     |                                                            |
| Police department - motor vehicles              | \$ 70,000           | \$ 125,633              | \$ 98,431           | \$ 27,202                                                  |
| Computer hardware / software - Police           | 35,648              | 35,648                  | 35,648              | -                                                          |
| Computer hardware / software - Sheriff / Jail   | 29,652              | 29,652                  | 29,652              | -                                                          |
| EMS - motor vehicles                            | 253,403             | 253,403                 | 255,126             | (1,723)                                                    |
| Major tools and equipment - EMS                 | 69,280              | 69,280                  | 64,015              | 5,265                                                      |
| Major tools and equipment - Police department   | 28,921              | 28,921                  | 8,364               | 20,557                                                     |
| Major tools and equipment - Fire department     | 29,360              | 46,050                  | 44,582              | 1,468                                                      |
| Major tools and equipment - Sheriff / Jail      | 35,000              | 35,000                  | 4,303               | 30,697                                                     |
| Physical plant expansion - Fire department      | 560,000             | 600,965                 | 19,160              | 581,805                                                    |
| Physical plant expansion - Sheriff / Jail       | -                   | 2,868                   | 2,868               | -                                                          |
| Total public safety                             | \$ 1,111,264        | \$ 1,227,420            | \$ 562,149          | \$ 665,271                                                 |
| Public Works:                                   |                     |                         |                     |                                                            |
| Street maintenance - motor vehicles             | \$ 150,000          | \$ 144,188              | \$ 138,786          | \$ 5,402                                                   |
| Public works - motor vehicles                   | 137,350             | 137,350                 | 39,350              | 98,000                                                     |
| Major tools and equipment - garage              | 10,000              | 15,812                  | 15,482              | 330                                                        |
| Major tools and equipment - street maintenance  | 180,000             | 186,600                 | 104,423             | 82,177                                                     |
| Major tools and equipment - public works        | 217,000             | 217,000                 | 170,812             | 46,188                                                     |
| Major tools and equipment - traffic signals     | 84,418              | 84,418                  | 52,779              | 31,639                                                     |
| Physical plant expansion - WPBDC building       | -                   | 11,000                  | -                   | 11,000                                                     |
| Physical plant expansion - warehouse complex    | 8,000               | 8,000                   | 6,522               | 1,478                                                      |
| Total public works                              | \$ 786,768          | \$ 804,368              | \$ 528,154          | \$ 276,214                                                 |
| Parks, Recreation, and Cultural:                |                     |                         |                     |                                                            |
| Parks and recreation:                           |                     |                         |                     |                                                            |
| Physical plant expansion - senior services      | \$ 11,000           | \$ 9,000                | \$ -                | \$ 9,000                                                   |
| Total parks, recreation and cultural            | \$ 11,000           | \$ 9,000                | \$ -                | \$ 9,000                                                   |
| Debt service:                                   |                     |                         |                     |                                                            |
| Principal retirement                            | \$ 234,800          | \$ 234,800              | \$ 234,800          | \$ -                                                       |
| Interest and other debt costs                   | 21,590              | 21,590                  | 38,497              | (16,907)                                                   |
| Total debt service                              | \$ 256,390          | \$ 256,390              | \$ 273,297          | \$ (16,907)                                                |
| <b>Total Capital Reserve Fund</b>               | <b>\$ 2,308,420</b> | <b>\$ 2,947,527</b>     | <b>\$ 1,925,312</b> | <b>\$ 1,022,215</b>                                        |

Governmental Funds and Discretely Presented Component Unit - School Board  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2020 (Continued)

| Fund, Function, Activity and Elements                     | Original<br>Budget   | Budget<br>As<br>Amended | Actual               | Variance<br>From Final<br>Budget<br>Positive<br>(Negative) |
|-----------------------------------------------------------|----------------------|-------------------------|----------------------|------------------------------------------------------------|
| <b>Primary Government: (Continued)</b>                    |                      |                         |                      |                                                            |
| <b>Capital Projects Funds: (Continued)</b>                |                      |                         |                      |                                                            |
| <b>Meals Tax Fund:</b>                                    |                      |                         |                      |                                                            |
| General Government Administration:                        |                      |                         |                      |                                                            |
| Meals tax administration                                  | \$ 55,112            | \$ 55,112               | \$ 55,112            | \$ -                                                       |
| Debt service:                                             |                      |                         |                      |                                                            |
| Principal retirement                                      | \$ 1,055,439         | \$ 1,055,439            | \$ 1,055,439         | \$ -                                                       |
| Interest and other debt costs                             | 466,548              | 466,548                 | 466,548              | -                                                          |
| Total debt service                                        | \$ 1,521,987         | \$ 1,521,987            | \$ 1,521,987         | \$ -                                                       |
| <b>Total Meals Tax Fund</b>                               | <b>\$ 1,577,099</b>  | <b>\$ 1,577,099</b>     | <b>\$ 1,577,099</b>  | <b>\$ -</b>                                                |
| <b>Total Capital Projects Funds</b>                       | <b>\$ 3,885,519</b>  | <b>\$ 4,524,626</b>     | <b>\$ 3,502,411</b>  | <b>\$ 1,022,215</b>                                        |
| <b>Total Expenditures - Primary Government</b>            | <b>\$ 37,716,872</b> | <b>\$ 41,191,963</b>    | <b>\$ 36,609,937</b> | <b>\$ 4,582,026</b>                                        |
| <b>Component Unit - School Board</b>                      |                      |                         |                      |                                                            |
| <b>School Operating Fund:</b>                             |                      |                         |                      |                                                            |
| Education:                                                |                      |                         |                      |                                                            |
| Instruction                                               | \$ 15,618,408        | \$ 16,088,302           | \$ 14,862,010        | \$ 1,226,292                                               |
| Administration, attendance and health                     | 1,419,475            | 1,460,637               | 1,419,941            | 40,696                                                     |
| Pupil transportation                                      | 1,026,914            | 1,026,914               | 907,044              | 119,870                                                    |
| Operation and maintenance of school plant                 | 2,478,292            | 2,558,373               | 2,541,631            | 16,742                                                     |
| Technology                                                | 1,478,731            | 1,521,711               | 1,532,337            | (10,626)                                                   |
| Total operating costs                                     | \$ 22,021,820        | \$ 22,655,937           | \$ 21,262,963        | \$ 1,392,974                                               |
| Total School Operating Fund                               | \$ 22,021,820        | \$ 22,655,937           | \$ 21,262,963        | \$ 1,392,974                                               |
| <b>School Cafeteria Fund:</b>                             |                      |                         |                      |                                                            |
| Education:                                                |                      |                         |                      |                                                            |
| School food services                                      | \$ 1,715,706         | \$ 1,715,706            | \$ 1,627,181         | \$ 88,525                                                  |
| <b>School Grants Fund:</b>                                |                      |                         |                      |                                                            |
| Education:                                                |                      |                         |                      |                                                            |
| Instruction costs                                         | \$ -                 | \$ 2,014,943            | \$ 1,654,823         | \$ 360,120                                                 |
| <b>Total Expenditures - Component Unit - School Board</b> | <b>\$ 23,737,526</b> | <b>\$ 26,386,586</b>    | <b>\$ 24,544,967</b> | <b>\$ 1,841,619</b>                                        |

Pledged Revenue Coverage - Water and Sewer Revenue Bonds  
For the Years Ended June 30, 2018 through June 30, 2020

| Fiscal<br>Year | Gross<br>Revenue (1) |           | Less<br>Operating<br>Expenses (2) |           | Net Revenues<br>Available For<br>Debt Service |           | Debt Service |          | Coverage |   |       |
|----------------|----------------------|-----------|-----------------------------------|-----------|-----------------------------------------------|-----------|--------------|----------|----------|---|-------|
|                |                      |           |                                   |           |                                               |           | Principal    | Interest |          |   |       |
| 2020           | \$                   | 8,268,755 | \$                                | 5,554,602 | \$                                            | 2,714,153 | \$           | 634,336  | \$       | - | 428%  |
| 2019           |                      | 7,874,781 |                                   | 5,344,145 |                                               | 2,530,636 |              | 495,740  |          | - | 510%  |
| 2018           |                      | 7,794,909 |                                   | 4,815,388 |                                               | 2,979,521 |              | 178,571  |          | - | 1669% |

(1) Operating revenue and interest from the Water and Sewer Funds.

(2) Net of depreciation expense.

Schedule is intended to show information for 10 years. The City did not have revenue bond obligations prior to fiscal year 2018.

| <b><u>Section</u></b>                                                                                                                                                                                                  | <b><u>Description / Table Name</u></b>                                                                                                                                                                                          | <b><u>Table Number</u></b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| <b><u>Financial Trends</u></b>                                                                                                                                                                                         |                                                                                                                                                                                                                                 |                            |
| These tables contain trend information to help the reader understand how the the City's financial performance and well-being have changed over time.                                                                   |                                                                                                                                                                                                                                 |                            |
|                                                                                                                                                                                                                        | Net Position by Component                                                                                                                                                                                                       | 1                          |
|                                                                                                                                                                                                                        | Changes in Net Position                                                                                                                                                                                                         | 2                          |
|                                                                                                                                                                                                                        | Level of Unrestricted Net Position                                                                                                                                                                                              | 3                          |
|                                                                                                                                                                                                                        | Governmental Activities Tax Revenues by Source--(Accrual Basis of Accounting)                                                                                                                                                   | 4                          |
|                                                                                                                                                                                                                        | Fund Balances of Governmental Funds                                                                                                                                                                                             | 5                          |
|                                                                                                                                                                                                                        | Fund Balance Summary                                                                                                                                                                                                            | 6                          |
|                                                                                                                                                                                                                        | Changes in Fund Balances of Governmental Funds                                                                                                                                                                                  | 7                          |
|                                                                                                                                                                                                                        | Level of Unreserved/Unassigned Fund Balance                                                                                                                                                                                     | 8                          |
|                                                                                                                                                                                                                        | Governmental Activities Tax Revenues by Source (Modified Accrual Basis of Accounting)                                                                                                                                           | 9                          |
|                                                                                                                                                                                                                        | Local Sales Tax Growth                                                                                                                                                                                                          | 10                         |
|                                                                                                                                                                                                                        | Utility Analysis of Unrestricted Net Position                                                                                                                                                                                   | 11                         |
| <b><u>Revenue Capacity</u></b>                                                                                                                                                                                         |                                                                                                                                                                                                                                 |                            |
| These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.                                                                          |                                                                                                                                                                                                                                 |                            |
|                                                                                                                                                                                                                        | Assessed Value of Taxable Property and Tax Rates                                                                                                                                                                                | 12                         |
|                                                                                                                                                                                                                        | Property Tax Levies and Collections                                                                                                                                                                                             | 13                         |
| <b><u>Debt Capacity</u></b>                                                                                                                                                                                            |                                                                                                                                                                                                                                 |                            |
| These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.                                      |                                                                                                                                                                                                                                 |                            |
|                                                                                                                                                                                                                        | Ratios of Outstanding Debt by Type                                                                                                                                                                                              | 14                         |
|                                                                                                                                                                                                                        | Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita                                                                                                                                               | 15                         |
|                                                                                                                                                                                                                        | Computation of Direct and Overlapping Bonded Debt                                                                                                                                                                               | 16                         |
|                                                                                                                                                                                                                        | Expenditures Per Capita Ratios                                                                                                                                                                                                  | 17                         |
| <b><u>Demographic and Economic Statistics</u></b>                                                                                                                                                                      |                                                                                                                                                                                                                                 |                            |
|                                                                                                                                                                                                                        | These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. | 18                         |
| <b><u>Operating Information</u></b>                                                                                                                                                                                    |                                                                                                                                                                                                                                 |                            |
| These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relate to the services the City provides and the activities it performs. |                                                                                                                                                                                                                                 |                            |
|                                                                                                                                                                                                                        | Full-time Equivalent City Government Employees by Function--Last Ten Fiscal Years                                                                                                                                               | 19                         |
|                                                                                                                                                                                                                        | Operating Indicators by Function--Last Nine Fiscal Years                                                                                                                                                                        | 20                         |
|                                                                                                                                                                                                                        | Capital Asset Statistics by Function--Last Nine Fiscal Years                                                                                                                                                                    | 21                         |

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Net Position by Component  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

|                                             | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 | 2020                 |
|---------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities:                    |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 5,095,179         | \$ 5,239,010         | \$ 7,783,672         | \$ 9,025,281         | \$ 8,309,912         | \$ 10,250,210        | \$ 10,624,972        | \$ 10,317,087        | \$ 10,741,090        | \$ 9,567,363         |
| Unrestricted                                | 5,709,696            | 10,833,837           | 9,266,186            | 11,321,289           | (4,717,533)          | (5,823,340)          | (7,197,367)          | (9,652,267)          | (9,136,286)          | (8,626,444)          |
| Total governmental activities net position  | <u>\$ 10,804,875</u> | <u>\$ 16,072,847</u> | <u>\$ 17,049,858</u> | <u>\$ 20,346,570</u> | <u>\$ 3,592,379</u>  | <u>\$ 4,426,870</u>  | <u>\$ 3,427,605</u>  | <u>\$ 664,820</u>    | <u>\$ 1,604,804</u>  | <u>\$ 940,919</u>    |
| Business-type activities:                   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 15,002,561        | \$ 17,011,598        | \$ 17,668,620        | \$ 17,998,885        | \$ 18,933,157        | \$ 20,792,962        | \$ 20,155,003        | \$ 21,620,820        | \$ 24,696,125        | \$ 25,296,901        |
| Unrestricted                                | 7,017,111            | 8,058,407            | 10,467,030           | 9,385,092            | 6,106,918            | 4,335,678            | 9,186,299            | 6,855,519            | 6,529,974            | 7,979,888            |
| Total business-type activities net position | <u>\$ 22,019,672</u> | <u>\$ 25,070,005</u> | <u>\$ 28,135,650</u> | <u>\$ 27,383,977</u> | <u>\$ 25,040,075</u> | <u>\$ 25,128,640</u> | <u>\$ 29,341,302</u> | <u>\$ 28,476,339</u> | <u>\$ 31,226,099</u> | <u>\$ 33,276,789</u> |
| Primary government                          |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 20,097,740        | \$ 22,250,608        | \$ 25,452,292        | \$ 27,024,166        | \$ 27,243,069        | \$ 31,043,172        | \$ 30,779,975        | \$ 31,937,907        | \$ 35,437,215        | \$ 34,864,264        |
| Unrestricted                                | 12,726,807           | 18,892,244           | 19,733,216           | 20,706,381           | 1,389,385            | (1,487,662)          | 1,988,932            | (2,796,748)          | (2,606,312)          | (646,556)            |
| Total primary government                    | <u>\$ 32,824,547</u> | <u>\$ 41,142,852</u> | <u>\$ 45,185,508</u> | <u>\$ 47,730,547</u> | <u>\$ 28,632,454</u> | <u>\$ 29,555,510</u> | <u>\$ 32,768,907</u> | <u>\$ 29,141,159</u> | <u>\$ 32,830,903</u> | <u>\$ 34,217,708</u> |

Note: Accrual-basis financial information is available back to fiscal year 2003 when the City implemented GASB 34.

Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

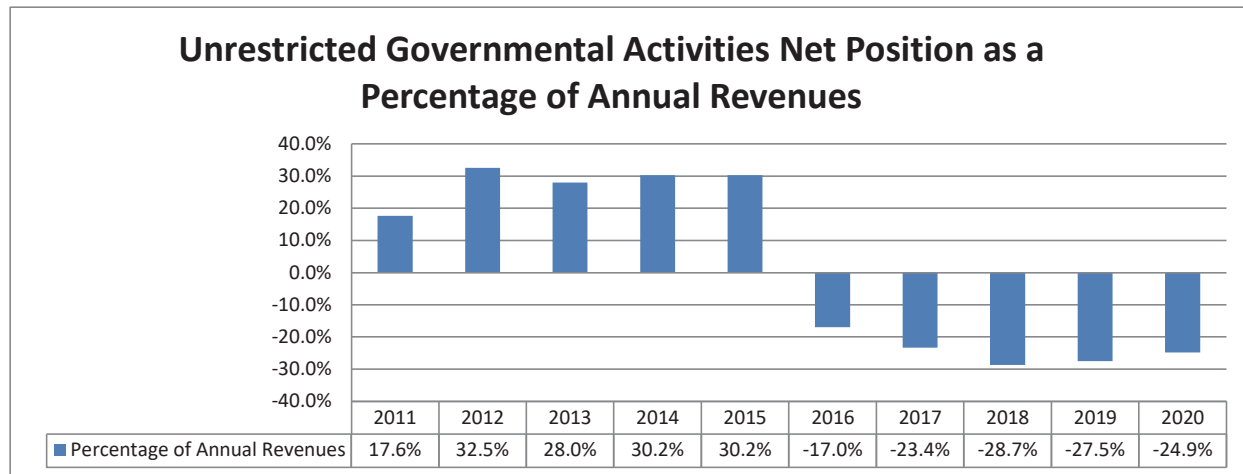
|                                                | Fiscal Year   |               |               |               |               |               |               |               |               |               |
|------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                                | 2011          | 2012          | 2013          | 2014          | 2015          | 2016          | 2017          | 2018          | 2019          | 2020          |
| <b>Expenses:</b>                               |               |               |               |               |               |               |               |               |               |               |
| Governmental activities:                       |               |               |               |               |               |               |               |               |               |               |
| General government administration              | \$ 3,814,802  | \$ 3,637,285  | \$ 3,632,201  | \$ 3,652,928  | \$ 3,800,766  | \$ 4,612,205  | \$ 3,245,979  | \$ 3,201,860  | \$ 3,431,098  | \$ 4,618,016  |
| Judicial administration                        | 1,878,258     | 1,918,028     | 1,981,577     | 2,165,263     | 2,096,773     | 2,250,373     | 2,322,293     | 2,314,974     | 2,262,276     | 2,641,457     |
| Public safety                                  | 8,997,810     | 9,228,325     | 9,393,253     | 9,418,417     | 9,176,453     | 9,837,593     | 9,805,711     | 9,902,833     | 9,801,973     | 11,826,946    |
| Public works                                   | 4,178,766     | 4,011,222     | 4,957,877     | 4,265,599     | 3,456,455     | 4,246,016     | 3,659,946     | 4,926,615     | 3,545,037     | 4,354,892     |
| Health and welfare                             | 606,262       | 563,668       | 748,961       | 679,779       | 674,858       | 770,780       | 859,053       | 960,166       | 1,114,250     | 1,227,588     |
| Education                                      | 6,400,860     | 3,525,833     | 5,800,158     | 6,876,345     | 7,794,188     | 7,091,099     | 7,401,665     | 7,305,996     | 7,296,370     | 6,282,794     |
| Parks, recreation, and cultural                | 1,340,515     | 1,254,795     | 1,085,674     | 1,044,516     | 930,080       | 941,835       | 923,286       | 883,520       | 855,335       | 955,956       |
| Community development                          | 4,117,538     | 3,498,547     | 3,705,549     | 5,390,512     | 4,958,922     | 3,373,272     | 3,381,324     | 3,231,968     | 3,073,604     | 3,282,279     |
| Interest and other fiscal charges              | 348,232       | 395,761       | 488,284       | 688,152       | 616,888       | 216,619       | 184,109       | 153,162       | 126,708       | 133,477       |
| Total governmental activities expenses         | \$ 31,683,043 | \$ 28,033,464 | \$ 31,793,534 | \$ 34,181,511 | \$ 33,505,383 | \$ 33,339,792 | \$ 31,783,366 | \$ 32,881,094 | \$ 31,506,651 | \$ 35,323,405 |
| Business-type activities:                      |               |               |               |               |               |               |               |               |               |               |
| Electric                                       | 17,175,908    | 14,987,140    | 13,609,901    | 16,329,938    | 15,552,584    | 16,266,023    | 16,860,239    | 18,842,419    | 18,277,367    | 17,444,975    |
| Water                                          | 1,694,197     | 1,713,386     | 1,756,400     | 1,744,194     | 1,576,999     | 1,817,456     | 1,979,099     | 1,998,279     | 2,199,820     | 2,359,706     |
| Sewer                                          | 2,652,619     | 2,712,919     | 2,762,385     | 3,107,701     | 3,063,555     | 3,104,212     | 3,279,987     | 3,352,971     | 4,011,522     | 4,202,694     |
| Refuse collection / landfill                   | 1,095,958     | 1,262,415     | 1,566,262     | 1,490,749     | 1,454,477     | 1,586,815     | 1,765,041     | 1,792,739     | 1,956,974     | 1,959,383     |
| Total business-type activities expenses        | \$ 22,618,682 | \$ 20,675,860 | \$ 19,694,948 | \$ 22,672,582 | \$ 21,647,615 | \$ 22,774,506 | \$ 23,884,366 | \$ 25,986,408 | \$ 26,445,683 | \$ 25,966,758 |
| Total primary government expenses              | \$ 54,301,725 | \$ 48,709,324 | \$ 51,488,482 | \$ 56,854,093 | \$ 55,152,998 | \$ 56,114,298 | \$ 55,667,732 | \$ 58,867,502 | \$ 57,952,334 | \$ 61,290,163 |
| <b>Program revenues:</b>                       |               |               |               |               |               |               |               |               |               |               |
| Governmental activities:                       |               |               |               |               |               |               |               |               |               |               |
| Charges for services:                          |               |               |               |               |               |               |               |               |               |               |
| General government administration              | \$ 191,123    | \$ 186,019    | \$ 210,744    | \$ 27,323     | \$ 71,257     | \$ 58,315     | \$ 54,221     | \$ 54,132     | \$ 52,714     | \$ 25,092     |
| Judicial administration                        | 202,053       | 209,709       | 215,326       | 177,396       | 220,001       | 170,680       | 199,722       | 216,855       | 209,082       | 139,760       |
| Public safety                                  | 509,000       | 599,126       | 603,156       | 502,374       | 556,608       | 533,667       | 557,825       | 570,985       | 638,338       | 773,151       |
| Public works                                   | 24,000        | 24,000        | 24,000        | 24,000        | 367,457       | 1,239,954     | 1,327,920     | 1,483,813     | 1,572,827     | 1,656,197     |
| Parks, recreation, and cultural                | 139,931       | 148,883       | 51,468        | 224,677       | 13,847        | 10,735        | 12,162        | 12,589        | 3,825         | 2,241         |
| Operating grants and contributions:            |               |               |               |               |               |               |               |               |               |               |
| General government administration              | 277,056       | 423,555       | 275,042       | 310,483       | 230,355       | 228,325       | 218,070       | 230,181       | 233,651       | 277,684       |
| Judicial administration                        | 713,051       | 719,769       | 721,469       | 738,874       | 766,853       | 789,944       | 793,561       | 808,053       | 828,856       | 841,540       |
| Public safety                                  | 3,239,401     | 3,283,016     | 3,189,324     | 3,229,434     | 3,192,089     | 3,366,678     | 3,600,720     | 3,446,573     | 3,415,292     | 3,497,408     |
| Public works                                   | 3,395,752     | 3,274,179     | 2,937,259     | 3,183,251     | 3,139,103     | 3,220,499     | 3,267,296     | 3,628,653     | 3,400,619     | 3,494,529     |
| Health and welfare                             | -             | 51,227        | 146,616       | 106,284       | 107,481       | 171,032       | 201,601       | 241,134       | 373,462       | 385,528       |
| Parks, recreation, and cultural                | 36,342        | 34,633        | 29,024        | 34,111        | 27,393        | 31,257        | 43,729        | 34,468        | 32,786        | 30,259        |
| Community development                          | 2,081,905     | 2,179,828     | 1,816,471     | 3,566,872     | 1,840,583     | 884,321       | 474,766       | 184,155       | 43,759        | 125,876       |
| Capital grants and contributions               | -             | -             | 2,051,086     | 1,900,918     | 1,099,371     | 2,641         | 199,426       | 327,400       | 755,137       | 1,199,002     |
| Total governmental activities program revenues | \$ 10,809,614 | \$ 11,133,944 | \$ 12,270,985 | \$ 14,025,997 | \$ 11,632,398 | \$ 10,708,048 | \$ 10,951,019 | \$ 11,238,991 | \$ 11,560,348 | \$ 12,448,267 |

Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

|                                                              | Fiscal Year     |                 |                 |                 |                 |                 |                 |                 |                 |                 |
|--------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                                              | 2011            | 2012            | 2013            | 2014            | 2015            | 2016            | 2017            | 2018            | 2019            | 2020            |
| Business-type activities:                                    |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Charges for services:                                        |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Electric                                                     | \$ 17,549,813   | \$ 17,005,502   | \$ 16,737,265   | \$ 17,196,837   | \$ 17,630,862   | \$ 17,770,846   | \$ 18,680,678   | \$ 18,787,334   | \$ 19,245,478   | \$ 19,251,609   |
| Water                                                        | 3,090,420       | 3,108,345       | 3,223,717       | 3,268,689       | 3,301,837       | 3,284,234       | 3,602,775       | 3,497,724       | 3,537,366       | 3,565,780       |
| Sewer                                                        | 3,611,687       | 4,036,668       | 3,917,792       | 3,840,429       | 3,929,737       | 4,226,823       | 4,255,883       | 4,269,547       | 4,314,029       | 4,675,337       |
| Refuse collection / landfill                                 | 1,651,673       | 1,678,419       | 1,599,297       | 2,080,731       | 2,199,089       | 2,232,517       | 2,280,710       | 2,237,742       | 2,244,328       | 2,434,359       |
| Capital grants and contributions                             | -               | 1,878,298       | -               | 15,894          | -               | -               | -               | -               | 1,000,000       | -               |
| Total business-type activities program revenues              | \$ 25,903,593   | \$ 27,707,232   | \$ 25,478,071   | \$ 26,402,580   | \$ 27,061,525   | \$ 27,514,420   | \$ 28,820,046   | \$ 28,792,347   | \$ 30,341,201   | \$ 29,927,085   |
| Total primary government program revenues                    | \$ 37,037,537   | \$ 39,978,217   | \$ 39,504,068   | \$ 38,034,978   | \$ 37,769,573   | \$ 38,465,439   | \$ 39,771,065   | \$ 40,031,338   | \$ 41,901,549   | \$ 42,375,352   |
| Net (expense) / revenue                                      |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities                                      | \$ (16,899,520) | \$ (19,522,549) | \$ (20,155,514) | \$ (21,872,985) | \$ (22,631,744) | \$ (20,832,347) | \$ (20,832,347) | \$ (21,642,103) | \$ (19,946,303) | \$ (22,875,138) |
| Business-type activities                                     | 5,227,733       | 8,012,284       | 2,805,489       | 4,754,965       | 4,287,019       | 3,630,054       | 4,935,680       | 2,805,939       | 3,895,518       | 3,960,327       |
| Total primary government net expense                         | \$ (11,671,787) | \$ (11,510,265) | \$ (17,350,025) | \$ (17,118,020) | \$ (18,344,725) | \$ (17,202,293) | \$ (15,896,667) | \$ (18,836,164) | \$ (16,050,785) | \$ (18,914,811) |
| <b>General Revenues and Other Changes in Net Position</b>    |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities:                                     |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| General property taxes                                       | \$ 8,878,758    | \$ 8,667,298    | \$ 8,815,665    | \$ 9,063,889    | \$ 8,984,049    | \$ 8,949,568    | \$ 9,072,495    | \$ 8,964,713    | \$ 9,728,127    | \$ 9,591,164    |
| Local sales and use taxes                                    | 1,911,276       | 1,891,909       | 1,886,892       | 2,017,806       | 1,921,102       | 2,033,632       | 2,046,701       | 1,968,475       | 2,039,498       | 2,075,778       |
| Consumer utility taxes                                       | 710,361         | 695,041         | 684,046         | 669,664         | 678,862         | 654,989         | 640,608         | 656,804         | 606,852         | 566,901         |
| Business license taxes                                       | 1,947,085       | 1,720,315       | 1,769,645       | 1,807,604       | 1,607,168       | 1,715,637       | 1,770,305       | 1,984,863       | 1,957,688       | 1,908,324       |
| Meals tax                                                    | 1,409,442       | 1,434,966       | 1,552,032       | 1,583,889       | 1,665,418       | 1,717,249       | 1,738,415       | 1,804,893       | 1,909,213       | 1,960,507       |
| Other local taxes                                            | 816,634         | 878,807         | 787,788         | 838,603         | 895,763         | 884,145         | 925,346         | 961,884         | 1,041,265       | 929,801         |
| Grants and contributions not restricted to specific programs | 1,657,430       | 1,631,430       | 1,642,941       | 1,634,436       | 1,629,988       | 1,622,427       | 1,605,957       | 1,577,765       | 1,526,595       | 1,883,750       |
| Unrestricted revenues from use of money and property         | 612,256         | 725,358         | 684,989         | 925,705         | 649,438         | 958,834         | 1,024,325       | 1,225,674       | 1,326,137       | 1,195,720       |
| Miscellaneous                                                | 916,783         | 510,730         | 263,000         | 403,029         | 243,521         | 249,786         | 258,851         | 349,751         | 361,768         | 551,813         |
| Transfers                                                    | 2,736,292       | 4,011,638       | 2,743,691       | 4,507,601       | 3,946,547       | 4,679,968       | 750,079         | 2,891,539       | 1,169,144       | 1,547,495       |
| Total governmental activities                                | \$ 21,596,317   | \$ 22,167,492   | \$ 20,830,689   | \$ 23,452,226   | \$ 22,221,856   | \$ 23,466,235   | \$ 19,833,082   | \$ 22,386,361   | \$ 21,666,287   | \$ 22,211,253   |
| Business-type activities:                                    |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Transfers                                                    | \$ (2,736,292)  | \$ (4,011,638)  | \$ (2,743,691)  | \$ (4,507,601)  | \$ (3,946,547)  | \$ (4,679,968)  | \$ (750,079)    | \$ (2,891,539)  | \$ (1,169,144)  | \$ (1,547,495)  |
| Unrestricted revenues from use of money and property         | 38,698          | 30,599          | 26,213          | 25,930          | 23,386          | 28,619          | 27,061          | 27,638          | 23,386          | 27,638          |
| Miscellaneous                                                | -               | -               | -               | -               | -               | -               | -               | 15,195          | -               | -               |
| Loss on asset disposal                                       | -               | -               | -               | -               | -               | -               | -               | -               | -               | (389,780)       |
| Total business-type activities                               | \$ (2,697,594)  | \$ (3,981,039)  | \$ (2,717,478)  | \$ (4,481,671)  | \$ (3,923,161)  | \$ (4,651,349)  | \$ (723,018)    | \$ (2,848,706)  | \$ (1,145,758)  | \$ (1,909,637)  |
| Total primary government                                     | \$ 18,898,723   | \$ 18,186,453   | \$ 18,113,211   | \$ 18,970,555   | \$ 18,298,695   | \$ 18,814,886   | \$ 19,110,064   | \$ 19,537,655   | \$ 20,520,529   | \$ 20,301,616   |
| <b>Change in Net Position</b>                                |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Governmental activities                                      | \$ 4,696,797    | \$ 2,644,943    | \$ 675,175      | \$ 1,579,241    | \$ (409,888)    | \$ 2,633,888    | \$ (999,265)    | \$ 744,258      | \$ 1,719,984    | \$ (663,885)    |
| Business-type activities                                     | 2,530,139       | 4,031,245       | 88,011          | 273,294         | 363,858         | (1,021,295)     | 4,212,662       | (42,767)        | 2,749,760       | 2,050,690       |
| Total primary government                                     | \$ 7,226,936    | \$ 6,676,188    | \$ 763,186      | \$ 1,852,535    | \$ (46,030)     | \$ 1,612,593    | \$ 3,213,397    | \$ 701,491      | \$ 4,469,744    | \$ 1,386,805    |

Note: Accrual-basis financial information is available back to fiscal year 2003 when the City implemented GASB 34.

Level of Unrestricted Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)



Unrestricted net position represent the resources that are neither invested in capital assets or whose use is constrained to a particular purpose. These net position can be used for any purpose, though they are not necessarily liquid.

Governmental Activities Tax Revenues by Source  
 Last Ten Fiscal Years  
 (Accrual Basis of Accounting)

| <b>Fiscal Year</b> | <b>General Property Taxes</b> | <b>Local Sales and Use Taxes</b> | <b>Consumer Utility Taxes</b> | <b>Business License Taxes</b> | <b>Meals Taxes</b> | <b>Other Local Taxes</b> | <b>Total</b>  |
|--------------------|-------------------------------|----------------------------------|-------------------------------|-------------------------------|--------------------|--------------------------|---------------|
| 2020               | \$ 9,591,164                  | \$ 2,075,778                     | \$ 566,901                    | \$ 1,908,324                  | \$ 1,960,507       | \$ 929,801               | \$ 17,032,475 |
| 2019               | 9,728,127                     | 2,039,498                        | 606,852                       | 1,957,688                     | 1,909,213          | 1,041,265                | 17,282,643    |
| 2018               | 8,964,713                     | 1,968,475                        | 656,804                       | 1,984,863                     | 1,804,893          | 961,884                  | 16,341,632    |
| 2017               | 9,072,495                     | 2,046,701                        | 640,608                       | 1,770,305                     | 1,738,415          | 925,346                  | 16,193,870    |
| 2016               | 8,949,568                     | 2,033,632                        | 654,989                       | 1,715,637                     | 1,717,249          | 884,145                  | 15,955,220    |
| 2015               | 8,984,049                     | 1,921,102                        | 678,862                       | 1,607,168                     | 1,665,418          | 895,763                  | 15,752,362    |
| 2014               | 9,063,889                     | 2,017,806                        | 669,664                       | 1,807,604                     | 1,583,889          | 838,603                  | 15,981,455    |
| 2013               | 8,815,665                     | 1,886,892                        | 684,046                       | 1,769,645                     | 1,552,032          | 787,788                  | 15,496,068    |
| 2012               | 8,667,298                     | 1,891,909                        | 695,041                       | 1,720,315                     | 1,434,966          | 878,807                  | 15,288,336    |
| 2011               | 8,878,758                     | 1,911,276                        | 710,361                       | 1,947,085                     | 1,409,442          | 816,634                  | 15,673,556    |

**CITY OF MARTINSVILLE, VIRGINIA**

Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)

|                                    | <u>2011</u>         | <u>2012</u>          | <u>2013</u>         | <u>2014</u>         | <u>2015</u>         |
|------------------------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| General fund                       |                     |                      |                     |                     |                     |
| Nonspendable                       | \$ 512,136          | \$ 795,619           | \$ 841,646          | \$ 993,900          | \$ 759,894          |
| Committed                          | 1,690,400           | 1,690,400            | 1,698,115           | 2,043,941           | 2,267,064           |
| Assigned                           | 154,099             | 154,099              | 154,099             | 25,000              | 25,000              |
| Unassigned                         | <u>774,240</u>      | <u>4,734,167</u>     | <u>4,535,327</u>    | <u>4,568,620</u>    | <u>4,122,660</u>    |
| Total general fund                 | <u>\$ 3,130,875</u> | <u>\$ 7,374,285</u>  | <u>\$ 7,229,187</u> | <u>\$ 7,631,461</u> | <u>\$ 7,174,618</u> |
| All other governmental funds       |                     |                      |                     |                     |                     |
| Nonspendable                       | \$ -                | \$ -                 | \$ 477,955          | \$ -                | \$ -                |
| Restricted for:                    |                     |                      |                     |                     |                     |
| Capital projects                   | -                   | 10,053,594           | 2,274,054           | 190,981             | -                   |
| Committed, reported in:            |                     |                      |                     |                     |                     |
| Special revenue funds              | 161,982             | 280,061              | 11,809              | 395,408             | 53,123              |
| Assigned, reported in:             |                     |                      |                     |                     |                     |
| Capital projects funds             | 1,196,779           | 705,957              | 318,876             | 1,260,911           | 1,523,314           |
| Special revenue funds              | -                   | -                    | -                   | -                   | -                   |
| Unassigned, reported in:           |                     |                      |                     |                     |                     |
| Special revenue funds (deficit)    | <u>(587,971)</u>    | <u>(583,105)</u>     | <u>(592,879)</u>    | <u>(23,767)</u>     | <u>(53,031)</u>     |
| Total all other governmental funds | <u>\$ 770,790</u>   | <u>\$ 10,456,507</u> | <u>\$ 2,489,815</u> | <u>\$ 1,823,533</u> | <u>\$ 1,523,406</u> |
| Total governmental funds           | <u>\$ 3,901,665</u> | <u>\$ 17,830,792</u> | <u>\$ 9,719,002</u> | <u>\$ 9,454,994</u> | <u>\$ 8,698,024</u> |

Table 5

|    | <b>2016</b>      | <b>2017</b>      | <b>2018</b>      | <b>2019</b>      | <b>2020</b>      |
|----|------------------|------------------|------------------|------------------|------------------|
| \$ | 1,123,501        | \$ 1,205,350     | \$ 1,202,606     | \$ 1,198,249     | \$ 1,293,059     |
|    | 1,218,099        | 1,820,414        | 851,339          | 712,456          | 729,155          |
|    | 25,000           | -                | -                | -                | -                |
|    | <u>4,401,718</u> | <u>3,031,355</u> | <u>4,660,378</u> | <u>4,331,449</u> | <u>4,938,739</u> |
| \$ | <u>6,768,318</u> | <u>6,057,119</u> | <u>6,714,323</u> | <u>6,242,154</u> | <u>6,960,953</u> |
| \$ | -                | \$ -             | \$ -             | \$ -             | \$ -             |
|    | -                | -                | -                | -                | -                |
|    | -                | -                | -                | -                | -                |
|    | 1,424,363        | 798,619          | 1,165,244        | 534,861          | 1,501,117        |
|    | 3,381            | 109,148          | 50,595           | 70,345           | 90,671           |
|    | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         | <u>-</u>         |
| \$ | <u>1,427,744</u> | <u>907,767</u>   | <u>1,215,839</u> | <u>605,206</u>   | <u>1,591,788</u> |
| \$ | <u>8,196,062</u> | <u>6,964,886</u> | <u>7,930,162</u> | <u>6,847,360</u> | <u>8,552,741</u> |

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Fund Balance Summary  
Year Ended June 30, 2020  
(Modified accrual basis of accounting)

Beginning with the fiscal year 2011, the City implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purposes unless the government takes the same highest level action to remove or change the constraints;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

|                         | <b>General<br/>Fund</b> | <b>City<br/>Grants<br/>Fund</b> | <b>Capital<br/>Reserve<br/>Fund</b> | <b>Meals<br/>Tax<br/>Fund</b> | <b>Total</b>        |
|-------------------------|-------------------------|---------------------------------|-------------------------------------|-------------------------------|---------------------|
| Nonspendable:           |                         |                                 |                                     |                               |                     |
| Inventory               | \$ 1,293,059            | \$ -                            | \$ -                                | \$ -                          | \$ 1,293,059        |
| Committed to:           |                         |                                 |                                     |                               |                     |
| Judicial Administration | 3,754                   | -                               | -                                   | -                             | 3,754               |
| Public Safety           | 380,844                 | -                               | -                                   | -                             | 380,844             |
| Public Works            | 238,897                 | -                               | -                                   | -                             | 238,897             |
| Community development   | 105,660                 | -                               | -                                   | -                             | 105,660             |
| Assigned to:            |                         |                                 |                                     |                               |                     |
| Capital reserve fund    | -                       | -                               | 942,611                             | -                             | 942,611             |
| Special revenue fund    | -                       | 90,671                          | -                                   | -                             | 90,671              |
| Meals tax fund          | -                       | -                               | -                                   | 558,506                       | 558,506             |
| Unassigned              | 4,938,739               | -                               | -                                   | -                             | 4,938,739           |
| Total fund balance      | <u>\$ 6,960,953</u>     | <u>\$ 90,671</u>                | <u>\$ 942,611</u>                   | <u>\$ 558,506</u>             | <u>\$ 8,552,741</u> |

**CITY OF MARTINSVILLE, VIRGINIA**

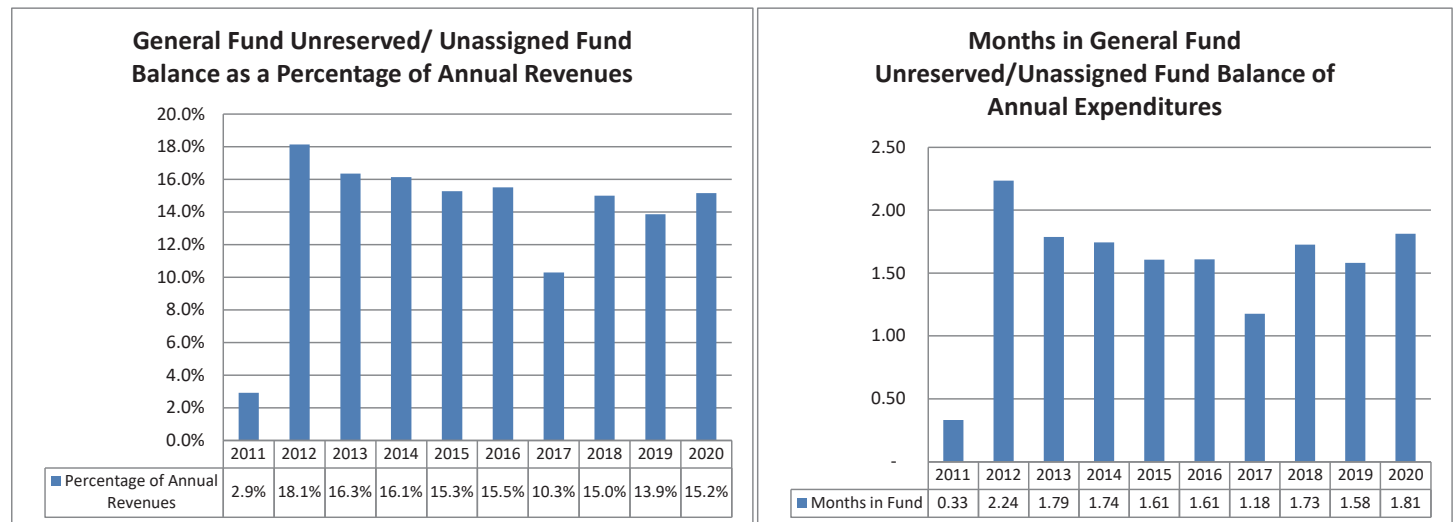
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

|                                                         | <b>2011</b>    | <b>2012</b>   | <b>2013</b>     |
|---------------------------------------------------------|----------------|---------------|-----------------|
| Revenues:                                               |                |               |                 |
| General property taxes                                  | \$ 8,941,108   | \$ 8,622,900  | \$ 8,760,993    |
| Other local taxes                                       | 6,794,798      | 6,621,038     | 6,680,403       |
| Permits, privilege fees and regulatory licenses         | 505,375        | 594,763       | 145,833         |
| Fines and forfeitures                                   | 151,231        | 163,118       | 164,533         |
| Revenue from use of money and property                  | 612,256        | 725,358       | 684,989         |
| Charges for services                                    | 409,501        | 409,856       | 794,328         |
| Miscellaneous                                           | 938,783        | 510,730       | 263,000         |
| Recovered costs                                         | 974,492        | 1,126,724     | 991,218         |
| Intergovernmental:                                      |                |               |                 |
| Commonwealth                                            | 9,079,756      | 8,840,678     | 8,927,696       |
| Federal                                                 | 2,321,181      | 2,939,213     | 4,259,593       |
| Total revenues                                          | \$ 30,728,481  | \$ 30,554,378 | \$ 31,672,586   |
| Expenditures:                                           |                |               |                 |
| General government administration                       | \$ 4,320,113   | \$ 5,501,331  | \$ 4,745,980    |
| Judicial administration                                 | 1,887,939      | 1,917,844     | 1,983,255       |
| Public safety                                           | 9,005,610      | 9,046,810     | 9,579,378       |
| Public works                                            | 4,084,984      | 3,993,552     | 6,637,533       |
| Health and welfare                                      | 627,135        | 604,746       | 792,657         |
| Education                                               | 5,697,421      | 3,638,582     | 12,477,628      |
| Parks, recreation, and cultural                         | 1,500,498      | 1,218,913     | 1,068,617       |
| Community development                                   | 4,066,774      | 3,474,873     | 3,817,336       |
| Debt service:                                           |                |               |                 |
| Principal retirement                                    | 1,188,028      | 1,207,842     | 1,167,732       |
| Interest and other fiscal charges                       | 369,380        | 582,396       | 717,951         |
| Total expenditures                                      | \$ 32,747,882  | \$ 31,186,889 | \$ 42,988,067   |
| Excess (deficiency) of revenues over expenditures       | \$ (2,019,401) | \$ (632,511)  | \$ (11,315,481) |
| Other financing sources (uses):                         |                |               |                 |
| Issuance of debt                                        | \$ -           | \$ 10,550,000 | \$ 460,000      |
| Capital lease proceeds                                  | -              | -             | -               |
| Insurance recoveries                                    | -              | -             | -               |
| Transfers in                                            | 2,957,692      | 4,256,202     | 3,062,864       |
| Transfers (out)                                         | (221,400)      | (244,564)     | (319,173)       |
| Total other financing sources (uses)                    | \$ 2,736,292   | \$ 14,561,638 | \$ 3,203,691    |
| Net changes in fund balances                            | \$ 716,891     | \$ 13,929,127 | \$ (8,111,790)  |
| Debt service as a percentage of noncapital expenditures | 4.79%          | 5.81%         | 5.81%           |

Table 7

| 2014           | 2015           | 2016           | 2017           | 2018           | 2019           | 2020        |
|----------------|----------------|----------------|----------------|----------------|----------------|-------------|
| 8,683,569 \$   | 9,083,158 \$   | 8,745,402 \$   | 8,877,122 \$   | 9,180,279 \$   | 9,136,565 \$   | 9,335,603   |
| 6,917,566      | 6,768,313      | 7,005,652      | 7,121,375      | 7,376,919      | 7,554,516      | 7,441,311   |
| 83,931         | 94,162         | 100,068        | 93,979         | 56,503         | 93,318         | 109,659     |
| 126,049        | 174,262        | 109,396        | 140,171        | 170,759        | 139,591        | 99,924      |
| 925,705        | 649,438        | 958,834        | 1,144,249      | 1,225,674      | 1,332,679      | 1,206,581   |
| 745,790        | 960,746        | 1,803,887      | 1,917,701      | 2,111,112      | 2,243,877      | 2,386,857   |
| 403,029        | 243,521        | 249,786        | 258,852        | 349,751        | 361,768        | 551,813     |
| 1,041,507      | 1,490,324      | 1,735,766      | 2,108,095      | 2,173,575      | 2,108,652      | 2,312,618   |
| 9,150,812      | 9,827,014      | 9,746,076      | 9,231,666      | 9,825,527      | 10,014,169     | 10,510,007  |
| 5,553,851      | 2,206,202      | 939,421        | 1,541,438      | 1,022,020      | 966,733        | 1,598,952   |
| 33,631,809 \$  | 31,497,140 \$  | 31,394,288 \$  | 32,434,648 \$  | 33,492,119 \$  | 33,951,868 \$  | 35,553,325  |
| 4,284,558 \$   | 4,633,537 \$   | 6,277,216 \$   | 4,042,520 \$   | 4,019,965 \$   | 4,585,789 \$   | 5,190,992   |
| 2,164,763      | 2,144,310      | 2,319,579      | 2,293,175      | 2,332,335      | 2,401,821      | 2,513,322   |
| 9,845,689      | 9,712,097      | 10,320,222     | 10,131,848     | 9,992,439      | 11,170,618     | 11,375,251  |
| 6,098,946      | 4,403,469      | 4,639,584      | 4,775,364      | 5,997,499      | 4,951,335      | 5,472,305   |
| 720,419        | 725,947        | 812,079        | 874,554        | 993,510        | 1,229,160      | 1,186,193   |
| 7,341,781      | 6,587,543      | 5,957,670      | 6,267,041      | 6,170,116      | 6,164,347      | 5,157,042   |
| 1,027,633      | 1,185,463      | 927,402        | 861,036        | 837,001        | 852,802        | 855,004     |
| 5,035,599      | 4,932,864      | 3,447,169      | 3,293,876      | 3,199,403      | 3,240,807      | 3,064,544   |
| 2,913,705      | 1,243,918      | 1,271,763      | 1,305,581      | 1,338,158      | 1,265,724      | 1,290,239   |
| 722,325        | 631,509        | 603,532        | 570,908        | 537,956        | 512,608        | 505,045     |
| 40,155,418 \$  | 36,200,657 \$  | 36,576,216 \$  | 34,415,903 \$  | 35,418,382 \$  | 36,375,011 \$  | 36,609,937  |
| (6,523,609) \$ | (4,703,517) \$ | (5,181,928) \$ | (1,981,255) \$ | (1,926,263) \$ | (2,423,143) \$ | (1,056,612) |
| 1,752,000 \$   | - \$           | - \$           | - \$           | - \$           | - \$           | -           |
| -              | -              | -              | -              | -              | -              | 1,214,500   |
| -              | -              | -              | -              | -              | 171,197        | -           |
| 5,357,541      | 4,440,920      | 5,191,579      | 1,845,097      | 3,479,752      | 1,935,368      | 2,639,171   |
| (849,940)      | (494,373)      | (511,611)      | (1,095,018)    | (588,213)      | (766,224)      | (1,091,676) |
| 6,259,601 \$   | 3,946,547 \$   | 4,679,968 \$   | 750,079 \$     | 2,891,539 \$   | 1,340,341 \$   | 2,761,995   |
| (264,008) \$   | (756,970) \$   | (501,960) \$   | (1,231,176) \$ | 965,276 \$     | (1,082,802) \$ | 1,705,383   |
| 10.02%         | 5.32%          | 5.27%          | 5.61%          | 5.43%          | 5.11%          | 5.14%       |

Level of Unreserved/Unassigned Fund Balance  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)



The level of unreserved fund balance is an indication of the amount of unexpended, unencumbered and available resources the government has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls, or other unexpected needs. Beginning in fiscal year ending June 30, 2011, the definition of fund balance changed from unreserved to unassigned. In this analysis, only the General Fund is considered.

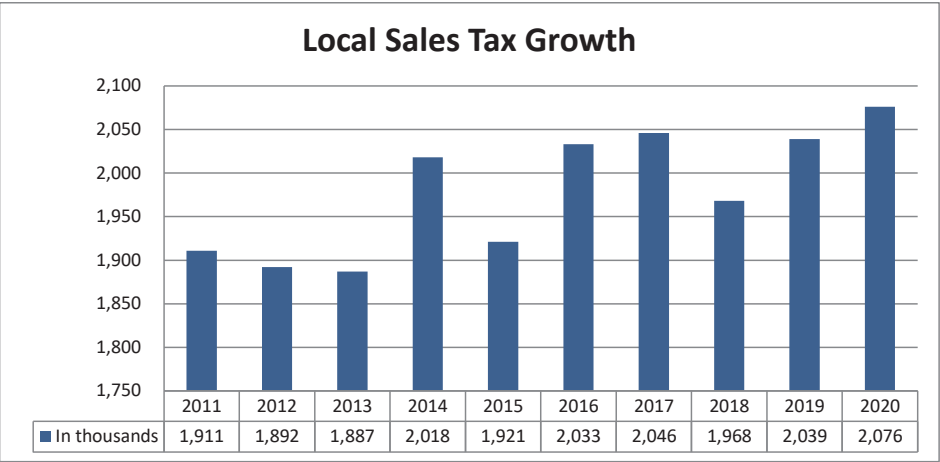
Note:

FY2012 Data includes unexpended bond proceeds of \$8,847,395 and School Operating Fund balance of \$2,254,080 which was transferred to the General Fund as part of the Fund Balance Policy adopted by Council.

Governmental Activities Tax Revenues by Source  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

| <b>Fiscal Year</b> | <b>General Property Taxes</b> | <b>Local Sales and Use Taxes</b> | <b>Consumer Utility Taxes</b> | <b>Business License Taxes</b> | <b>Meals Taxes</b> | <b>Communications Taxes</b> | <b>Other Local Taxes</b> | <b>Total</b>  |
|--------------------|-------------------------------|----------------------------------|-------------------------------|-------------------------------|--------------------|-----------------------------|--------------------------|---------------|
| 2020               | \$ 9,335,603                  | \$ 2,075,778                     | \$ 566,901                    | \$ 1,908,324                  | \$ 1,960,507       | \$ 750,186                  | \$ 929,801               | \$ 17,527,100 |
| 2019               | 9,136,565                     | 2,039,498                        | 606,852                       | 1,957,688                     | 1,909,213          | 778,932                     | 1,041,265                | 17,470,013    |
| 2018               | 9,180,279                     | 1,968,475                        | 656,804                       | 1,984,863                     | 1,804,893          | 833,760                     | 961,884                  | 17,390,958    |
| 2017               | 8,877,122                     | 2,046,701                        | 640,608                       | 1,770,305                     | 1,738,415          | 859,331                     | 925,346                  | 16,857,828    |
| 2016               | 8,745,402                     | 2,033,632                        | 654,989                       | 1,715,637                     | 1,717,249          | 880,952                     | 884,145                  | 16,632,006    |
| 2015               | 9,083,158                     | 1,921,102                        | 678,862                       | 1,607,168                     | 1,665,418          | 911,387                     | 895,763                  | 16,762,858    |
| 2014               | 8,683,569                     | 2,017,806                        | 669,664                       | 1,807,604                     | 1,583,889          | 912,783                     | 838,603                  | 16,513,918    |
| 2013               | 8,760,993                     | 1,886,892                        | 684,046                       | 1,769,645                     | 1,552,032          | 935,756                     | 787,788                  | 16,377,152    |
| 2012               | 8,622,900                     | 1,891,909                        | 695,041                       | 1,720,315                     | 1,434,966          | 911,484                     | 878,807                  | 16,155,422    |
| 2011               | 8,941,108                     | 1,911,276                        | 710,361                       | 1,947,085                     | 1,409,442          | 961,470                     | 816,634                  | 16,697,376    |
| 2010               | 9,080,208                     | 1,759,239                        | 718,563                       | 1,676,826                     | 1,390,907          | 937,786                     | 800,387                  | 16,363,916    |

Local Sales Tax Growth  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)



Local sales tax growth is a measure of the state of the local economy by comparing revenue collected in the prior year to the current year.

For the year ended June 30, 2019, the City experienced an increase in sales tax collections of approximately \$71,000 or 3.47%.

Utility Analysis of Unrestricted Net Position  
At June 30, 2020

|                                                 | <b>Electric<br/>Fund</b> | <b>Water<br/>Fund</b> | <b>Sewer<br/>Fund</b> | <b>Refuse<br/>Collection/<br/>Landfill<br/>Fund</b> | <b>Total</b>        |
|-------------------------------------------------|--------------------------|-----------------------|-----------------------|-----------------------------------------------------|---------------------|
| Net Position at June 30, 2020                   | \$ 16,567,978            | \$ 7,862,220          | \$ 5,057,449          | \$ 3,789,142                                        | \$ 33,276,789       |
| Less capital assets                             | (17,350,404)             | (7,701,430)           | (21,365,252)          | (2,131,686)                                         | (48,548,772)        |
| Add current portion of long-term obligations    | 269,611                  | 187,143               | 659,239               | 123,036                                             | 1,239,029           |
| Add noncurrent portion of long-term obligations | 5,156,546                | 3,077,862             | 17,907,422            | 3,145,052                                           | 29,286,882          |
| Less compensated absences                       | (66,112)                 | (51,428)              | (71,325)              | (18,062)                                            | (206,927)           |
| Less net pension liability                      | (1,137,044)              | (847,307)             | (1,644,969)           | (414,573)                                           | (4,043,893)         |
| Less net group life insurance OPEB liability    | (56,240)                 | (35,136)              | (78,294)              | (18,775)                                            | (188,445)           |
| Less net Pay-as-you-Go OPEB liability           | (173,761)                | (104,134)             | (279,432)             | (61,645)                                            | (618,972)           |
| Less landfill closure and post-closure costs    | -                        | -                     | -                     | (2,215,803)                                         | (2,215,803)         |
| Unrestricted Net Position at June 30, 2020      | <u>\$ 3,210,574</u>      | <u>\$ 2,387,790</u>   | <u>\$ 184,838</u>     | <u>\$ 2,196,686</u>                                 | <u>\$ 7,979,888</u> |

**CITY OF MARTINSVILLE, VIRGINIA**Assessed Value of Taxable Property and Tax Rates  
Last Ten Fiscal Years

| <b>Fiscal<br/>Year(1)</b> | <b>Real<br/>Estate</b> | <b>Personal<br/>Property</b> | <b>Machinery<br/>and<br/>Tools</b> | <b>Public<br/>Service<br/>Real Estate</b> | <b>Public<br/>Service<br/>Pers Prop</b> | <b>Total</b>   |
|---------------------------|------------------------|------------------------------|------------------------------------|-------------------------------------------|-----------------------------------------|----------------|
| 2020                      | \$ 638,496,000         | \$ 114,103,654               | \$ 6,678,102                       | \$ 25,997,604                             | \$ 485,196                              | \$ 785,760,556 |
| 2019                      | 631,445,800            | 111,703,797                  | 6,702,953                          | 24,296,670                                | 571,227                                 | 774,720,447    |
| 2018                      | 630,238,700            | 108,990,284                  | 6,764,153                          | 21,839,490                                | 585,532                                 | 768,418,159    |
| 2017                      | 639,432,100            | 104,500,889                  | 5,684,864                          | 22,387,747                                | 565,832                                 | 772,571,432    |
| 2016                      | 637,317,000            | 96,930,746                   | 8,947,408                          | 24,215,061                                | 475,737                                 | 767,885,952    |
| 2015                      | 640,608,600            | 93,920,412                   | 9,236,280                          | 23,076,423                                | 294,246                                 | 767,135,961    |
| 2014                      | 641,502,458            | 99,431,367                   | 8,222,283                          | 22,511,294                                | 623,124                                 | 772,290,526    |
| 2013                      | 668,272,729            | 94,077,288                   | 7,159,164                          | 22,600,872                                | 399,539                                 | 792,509,592    |
| 2012                      | 666,564,846            | 98,318,224                   | 9,451,688                          | 22,946,217                                | 353,331                                 | 797,634,306    |
| 2011                      | 693,753,700            | 96,212,276                   | 5,676,513                          | 22,370,013                                | 257,936                                 | 818,012,502    |

(1) 100% fair market value.

Source: Commissioner of the Revenue

Table 12

| Tax Rates      |                      |                           |                          |                          |
|----------------|----------------------|---------------------------|--------------------------|--------------------------|
| Real<br>Estate | Personal<br>Property | Machinery<br>and<br>Tools | Public<br>Service<br>R/E | Public<br>Service<br>P/P |
| \$ 1.0621      | \$ 2.30              | \$ 1.85                   | \$ 1.0621                | \$ 2.30                  |
| 1.0621         | 2.30                 | 1.85                      | 1.0621                   | 2.30                     |
| 1.0621         | 2.30                 | 1.85                      | 1.0621                   | 2.30                     |
| 1.0621         | 2.30                 | 1.85                      | 1.0621                   | 2.30                     |
| 1.0621         | 2.30                 | 1.85                      | 1.0621                   | 2.30                     |
| 1.0621         | 2.30                 | 1.85                      | 1.0621                   | 2.30                     |
| 1.06           | 2.30                 | 1.85                      | 1.06                     | 2.30                     |
| 1.01816        | 2.30                 | 1.85                      | 1.01816                  | 2.30                     |
| 1.01816        | 2.30                 | 1.85                      | 1.01816                  | 2.30                     |
| 1.01816        | 2.30                 | 1.85                      | 1.01816                  | 2.30                     |

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Property Tax Levies and Collections  
Last Ten Fiscal Years

| <b>Fiscal Year</b> | <b>Total (1) Tax Levy</b> | <b>Current Tax (1), (3) Collections</b> | <b>Percent of Levy Collected</b> | <b>Delinquent (1) Tax (2) Collections</b> | <b>Total Tax Collections</b> | <b>Percent of Total Tax Collections to Tax Levy</b> | <b>Outstanding Delinquent Taxes (1)</b> | <b>Percent of Delinquent Taxes to Tax Levy</b> |
|--------------------|---------------------------|-----------------------------------------|----------------------------------|-------------------------------------------|------------------------------|-----------------------------------------------------|-----------------------------------------|------------------------------------------------|
| 2020               | \$ 9,864,021              | \$ 8,316,022                            | 84.31%                           | \$ 746,057                                | \$ 9,062,079                 | 91.87%                                              | \$ 2,124,372                            | 21.54%                                         |
| 2019               | 9,713,056                 | 8,301,079                               | 85.46%                           | 602,847                                   | 8,903,926                    | 91.67%                                              | 2,241,958                               | 23.08%                                         |
| 2018               | 9,615,111                 | 8,846,029                               | 92.00%                           | 587,029                                   | 9,433,058                    | 98.11%                                              | 1,274,200                               | 13.25%                                         |
| 2017               | 9,596,296                 | 8,834,417                               | 92.06%                           | 513,318                                   | 9,347,735                    | 97.41%                                              | 1,381,163                               | 14.39%                                         |
| 2016               | 9,465,270                 | 8,763,769                               | 92.59%                           | 392,885                                   | 9,156,654                    | 96.74%                                              | 1,314,580                               | 13.89%                                         |
| 2015               | 9,424,583                 | 8,873,795                               | 94.16%                           | 547,335                                   | 9,421,130                    | 99.96%                                              | 1,084,664                               | 11.51%                                         |
| 2014               | 9,329,806                 | 8,683,981                               | 93.08%                           | 426,107                                   | 9,110,088                    | 97.64%                                              | 1,208,189                               | 12.95%                                         |
| 2013               | 9,515,252                 | 8,730,614                               | 91.75%                           | 463,880                                   | 9,194,494                    | 96.63%                                              | 1,027,354                               | 10.80%                                         |
| 2012               | 9,663,905                 | 8,670,267                               | 89.72%                           | 437,761                                   | 9,108,028                    | 94.25%                                              | 1,044,410                               | 10.81%                                         |
| 2011               | 9,654,565                 | 8,926,474                               | 92.46%                           | 437,117                                   | 9,363,591                    | 96.99%                                              | 1,122,427                               | 11.63%                                         |
| 2010               | 9,790,499                 | 9,082,620                               | 92.77%                           | 453,976                                   | 9,536,596                    | 97.41%                                              | 1,463,215                               | 14.95%                                         |

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Note: Current Tax Collections includes PPTRA funds.

**CITY OF MARTINSVILLE, VIRGINIA**

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

| Fiscal<br>Year | Governmental Activities        |                                |                            |                   |                   |
|----------------|--------------------------------|--------------------------------|----------------------------|-------------------|-------------------|
|                | General<br>Obligation<br>Bonds | General<br>Obligation<br>Notes | State<br>Literary<br>Loans | VP<br>SA<br>Bonds | Capital<br>Leases |
| 2020           | \$ 647,000                     | \$ -                           | \$ 375,000                 | \$ 8,517,528      | \$ 1,214,500      |
| 2019           | 1,033,800                      | -                              | 750,000                    | 9,045,967         | -                 |
| 2018           | 1,412,400                      | -                              | 1,125,000                  | 9,558,091         | -                 |
| 2017           | 1,786,800                      | -                              | 1,500,000                  | 10,051,894        | 94,955            |
| 2016           | 2,153,100                      | -                              | 2,125,000                  | 10,272,721        | 188,409           |
| 2015           | 2,509,400                      | -                              | 2,750,000                  | 10,471,207        | 280,386           |
| 2014           | 2,863,700                      | 340,000                        | 3,375,000                  | 10,645,303        | 370,909           |
| 2013           | 3,161,200                      | 340,000                        | 4,000,000                  | 10,795,417        | 460,000           |
| 2012           | 3,480,300                      | 340,000                        | 4,625,000                  | 10,921,962        | 97,087            |
| 2011           | 2,473,800                      | 340,000                        | 5,250,000                  | 1,732,744         | 325,647           |
| 2010           | 2,707,900                      | 340,000                        | 5,875,000                  | 1,840,897         | 546,422           |

n/a - not available at publication

Table 14

| <b>Business-type Activities</b>         |                          |                           |                                         | <b>Net Bonded Debt per Capita</b> |       |
|-----------------------------------------|--------------------------|---------------------------|-----------------------------------------|-----------------------------------|-------|
| <b>General<br/>Obligation<br/>Bonds</b> | <b>Revenue<br/>Bonds</b> | <b>Capital<br/>Leases</b> | <b>Total<br/>Primary<br/>Government</b> |                                   |       |
| \$ 557,000                              | \$ 16,474,870            | \$ 6,220,000              | \$ 34,005,898                           | \$                                | 2,117 |
| 712,000                                 | 16,805,680               | 6,636,000                 | 34,983,447                              |                                   | 2,112 |
| 863,000                                 | 12,810,146               | 7,044,000                 | 32,812,637                              |                                   | 1,885 |
| 1,011,000                               | 7,066,376                | 7,425,000                 | 28,936,025                              |                                   | 1,630 |
| 1,155,000                               | 3,242,399                | 7,425,000                 | 26,561,629                              |                                   | 1,947 |
| 1,444,900                               | -                        | -                         | 17,455,893                              |                                   | 1,288 |
| 1,880,000                               | -                        | -                         | 19,474,912                              |                                   | 1,400 |
| 2,279,700                               | -                        | -                         | 21,036,317                              |                                   | 1,543 |
| 2,683,700                               | -                        | 65,474                    | 22,213,523                              |                                   | 1,620 |
| 3,075,100                               | -                        | 193,719                   | 13,391,010                              |                                   | 975   |
| 2,502,200                               | -                        | 318,448                   | 14,130,867                              |                                   | 952   |

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

| <b>Fiscal<br/>Year</b> | <b>Population (1)</b> | <b>Assessed<br/>Value<br/>(in thousands) (2)</b> | <b>Net<br/>Bonded<br/>Debt (3)</b> | <b>Ratio of Net<br/>General<br/>Obligation<br/>Debt to<br/>Assessed<br/>Value</b> | <b>Net<br/>Bonded<br/>Debt per<br/>Capita</b> |
|------------------------|-----------------------|--------------------------------------------------|------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------|
| 2020                   | 12,554                | \$ 785,760,556                                   | \$ 26,571,398                      | 3.38%                                                                             | \$ 2,117                                      |
| 2019                   | 13,422                | 774,720,447                                      | 28,347,447                         | 3.66%                                                                             | 2,112                                         |
| 2018                   | 13,670                | 768,418,159                                      | 25,768,637                         | 3.35%                                                                             | 1,885                                         |
| 2017                   | 13,142                | 772,571,432                                      | 21,416,070                         | 2.77%                                                                             | 1,630                                         |
| 2016                   | 13,544                | 767,885,952                                      | 18,948,220                         | 2.47%                                                                             | 1,389                                         |
| 2015                   | 13,552                | 767,135,961                                      | 17,175,507                         | 2.24%                                                                             | 1,267                                         |
| 2014                   | 13,583                | 772,290,526                                      | 19,104,003                         | 2.47%                                                                             | 1,374                                         |
| 2013                   | 13,630                | 792,509,592                                      | 20,576,317                         | 2.60%                                                                             | 1,510                                         |
| 2012                   | 13,710                | 797,634,306                                      | 22,050,962                         | 2.76%                                                                             | 1,608                                         |
| 2011                   | 13,729                | 818,012,502                                      | 12,871,644                         | 1.57%                                                                             | 938                                           |
| 2010                   | 13,821                | 825,726,268                                      | 13,265,997                         | 1.61%                                                                             | 960                                           |

Sources:

(1) Estimates - United States Census Bureau

(2) From Table 12

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans.  
Excludes revenue bonds, capital leases, and compensated absences.

n/a - not available at publication

Computation of Direct and Overlapping Bonded Debt  
At June 30, 2019

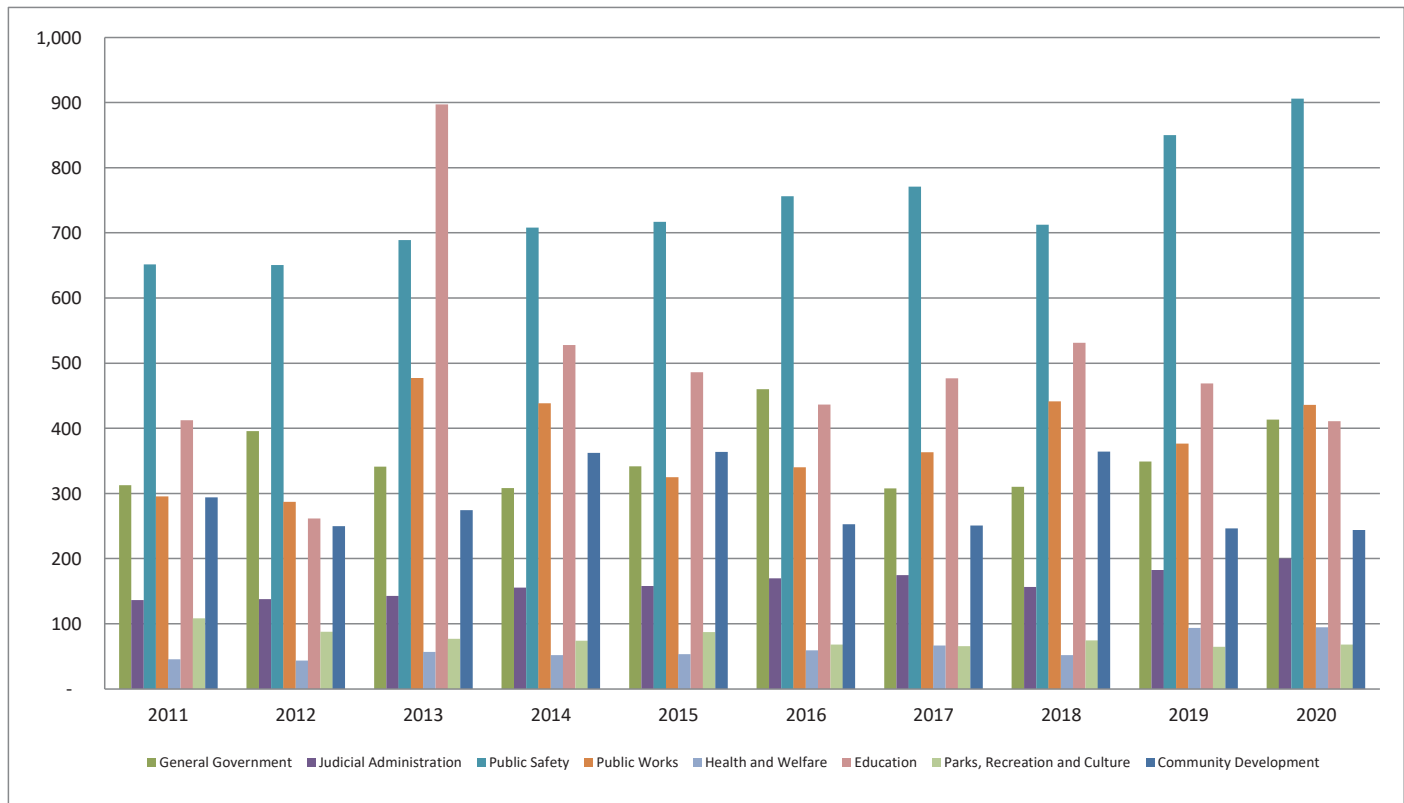
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Direct:(1)

|                      |    |            |      |    |            |
|----------------------|----|------------|------|----|------------|
| City of Martinsville | \$ | 26,571,398 | 100% | \$ | 26,571,398 |
|----------------------|----|------------|------|----|------------|

The City of Martinsville has no overlapping debt.

Expenditures Per Capita Ratio  
Last Ten Fiscal Years



Note:  
Information included is governmental expenditures - Table 7  
Population - Table 18

Demographic and Economic Statistics  
Last Ten Fiscal Years

| <b>Fiscal<br/>Year</b> | <b>Population (1)</b> | <b>City<br/>Per Capita<br/>Income (2)</b> | <b>School<br/>Enrollment (3)</b> | <b>Unemploy-<br/>ment Rate (4)</b> | <b>Personal<br/>Income<br/>In Thousands (5)</b> |
|------------------------|-----------------------|-------------------------------------------|----------------------------------|------------------------------------|-------------------------------------------------|
| 2020                   | 12,554 \$             | 22,669                                    | 1,820                            | 14.30% \$                          | n/a                                             |
| 2019                   | 13,422                | 32,892                                    | 1,830                            | 4.60%                              | 2,558,838                                       |
| 2018                   | 13,670                | 33,545                                    | 1,893                            | 5.10%                              | 2,449,831                                       |
| 2017                   | 13,142                | 37,827                                    | 2,019                            | 7.30%                              | 2,434,875                                       |
| 2016                   | 13,544                | 36,598                                    | 2,056                            | 7.00%                              | 2,368,764                                       |
| 2015                   | 13,552                | 35,976                                    | 2,300                            | 9.58%                              | 2,291,342                                       |
| 2014                   | 13,583                | 33,439                                    | 2,125                            | 10.30%                             | 2,199,995                                       |
| 2013                   | 13,630                | 32,546                                    | 2,137                            | 13.90%                             | 2,160,176                                       |
| 2012                   | 13,710                | 32,133                                    | 2,163                            | 14.30%                             | 2,139,689                                       |
| 2011                   | 13,729                | 30,097                                    | 2,359                            | 17.00%                             | 2,025,548                                       |
| 2010                   | 13,821                | 29,220                                    | 2,324                            | 20.20%                             | 1,981,945                                       |

n/a - not available at publication

Sources:

- (1) The Weldon Cooper Center for Public Service
- (2) Bureau of Economic Analysis - data for "Henry + Martinsville, VA Micropolitan SA"
- (3) School Board Office
- (4) Virginia Employment Commission
- (5) Bureau of Economic Analysis - data for "Henry + Martinsville, VA Micropolitan SA"

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

| Function               | 2011       | 2012       | 2013       | 2014       | 2015       | 2016       | 2017       | 2018       | 2019       | 2020       |
|------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| General government     | 23         | 23         | 24         | 24         | 26         | 22         | 21         | 20         | 20         | 21         |
| Public safety          |            |            |            |            |            |            |            |            |            |            |
| Police department      | 54         | 53         | 54         | 52         | 50         | 56         | 50         | 51         | 51         | 51         |
| Fire department        | 29         | 29         | 29         | 29         | 28         | 27         | 27         | 27         | 26         | 26         |
| Public works           |            |            |            |            |            |            |            |            |            |            |
| General maintenance    | 42         | 42         | 39         | 42         | 40         | 38         | 35         | 37         | 37         | 37         |
| Refuse Collection      | 3          | 3          | 3          | 3          | 3          | 3          | 5          | 5          | 5          | 6          |
| Engineering            | 2          | 2          | 2          | 2          | 3          | 3          | 3          | 1          | 2          | 2          |
| Culture and recreation |            |            |            |            |            |            |            |            |            |            |
| Parks and recreation   | 7          | 7          | 7          | 7          | 7          | 6          | 5          | 6          | 5          | 5          |
| Community development  |            |            |            |            |            |            |            |            |            |            |
| Planning               | 4          | 3          | 3          | 3          | 4          | 2          | 3          | 3          | 1          | 2          |
| Totals                 | <u>164</u> | <u>162</u> | <u>161</u> | <u>162</u> | <u>161</u> | <u>157</u> | <u>149</u> | <u>150</u> | <u>147</u> | <u>150</u> |

Source: Individual city departments

# CITY OF MARTINSVILLE, VIRGINIA

## Operating Indicators by Function Last Ten Fiscal Years

|                                                                |                                            | 2011     | 2012    | 2013    | 2,014   |
|----------------------------------------------------------------|--------------------------------------------|----------|---------|---------|---------|
| Police Protection                                              | Number of stations                         | 1        | 1       | 1       | 1       |
|                                                                | Number of police personnel and officers    | 56       | 55      | 55      | 52      |
|                                                                | Number of law violations:                  |          |         |         |         |
|                                                                | Physical arrests                           | 1,447    | 1,677   | 1,580   | 1,305   |
|                                                                | Traffic violations                         | 2,842    | 3,389   | 2,430   | 2,979   |
| Fire Protection                                                | Number of stations                         | 2        | 2       | 2       | 2       |
|                                                                | Number of fire personnel and officers      | 43       | 46      | 45      | 46      |
|                                                                | Number of calls answered                   | 3,136    | 3,171   | 2,935   | 2,870   |
|                                                                | Number of inspections conducted            | 1,111    | 1,401   | 2,006   | 1,101   |
| Streets                                                        | Streets (miles)                            | 100      | 100     | 100     | 100     |
|                                                                | Streetlights                               | 3,300    | 3,300   | 3,300   | 3,300   |
| Recreation & Culture                                           | Number of parks and recreation facilities  | 13       | 13      | 13      | 13      |
|                                                                | Number of libraries                        | 1        | 1       | 1       | 1       |
|                                                                | Number of community centers                | 1        | 1       | 1       | 1       |
| Water                                                          | Service Connections                        | 7,300    | 7,300   | 7,300   | 7,300   |
|                                                                | Miles of water mains                       | 120      | 120     | 120     | 120     |
|                                                                | Number of fire hydrants                    | 548      | 548     | 555     | 555     |
|                                                                | Daily average consumption in gallons       | 2.0 MGD  | 2.0 MGD | 1.8 MGD | 1.8 MGD |
|                                                                | Maximum daily capacity of plant in gallons | 10.0 MGD | 7.4 MGD | 7.4 MGD | 7.4 MGD |
| Sewer                                                          | Service Connections                        | 6,800    | 6,800   | 6,800   | 6,800   |
|                                                                | Miles of sanitary sewers                   | 140      | 140     | 140     | 140     |
|                                                                | Miles of storm sewers                      | 1        | 1       | 1       | 1       |
|                                                                | Number of treatment plants                 | 1        | 1       | 1       | 1       |
|                                                                | Daily average treatment in gallons         | 4.5 MGD  | 4.5 MGD | 4.5 MGD | 4.5 MGD |
|                                                                | Maximum daily capacity of plant in gallons | 8.0 MGD  | 8.0 MGD | 8.0 MGD | 8.0 MGD |
| Electric Distribution Systems                                  | Miles of service                           | 100      | 100     | 100     | 100     |
|                                                                | Number of distribution systems             | 1        | 1       | 1       | 1       |
| Facilities and services not included in the primary government |                                            |          |         |         |         |
|                                                                | Number of elementary schools               | 3        | 3       | 3       | 3       |
|                                                                | Number of middle schools                   | 2        | 2       | 2       | 2       |
|                                                                | Number of secondary schools                | 1        | 1       | 1       | 1       |
| Facilities and services not included in the reporting entity   |                                            |          |         |         |         |
|                                                                | Hospitals:                                 |          |         |         |         |
|                                                                | Number of hospitals                        | 1        | 1       | 1       | 1       |
|                                                                | Number of patient beds                     | 220      | 237     | 237     | 220     |

Source: Individual city departments

Table 20

| 2015    | 2016    | 2017    | 2018    | 2019     | 2020     |
|---------|---------|---------|---------|----------|----------|
| 1       | 1       | 1       | 1       | 1        | 1        |
| 51      | 53      | 50      | 51      | 51       | 51       |
| 1,559   | 1,394   | 1,694   | 2,932   | 1,994    | 1,645    |
| 3,314   | 1,772   | 2,877   | 3,314   | 2,786    | 2,663    |
| 2       | 2       | 2       | 2       | 2        | 2        |
| 46      | 42      | 41      | 42      | 40       | 43       |
| 3,093   | 3,041   | 3,024   | 3,053   | 3,602    | 2,965    |
| 790     | 530     | 659     | 581     | 914      | 826      |
| 100     | 100     | 100     | 100     | 100      | 100      |
| 2,721   | 2,871   | 3,175   | 3,069   | 3,069    | 3,069    |
| 13      | 13      | 13      | 13      | 13       | 13       |
| 1       | 1       | 1       | 1       | 1        | 1        |
| 1       | 1       | 1       | 1       | 1        | 1        |
| 7,300   | 7,300   | 7,250   | 7,250   | 7,250    | 7,069    |
| 120     | 120     | 120     | 120     | 120      | 120      |
| 555     | 555     | 555     | 555     | 555      | 555      |
| 1.8 MGD | 1.8 MGD | 1.8 MGD | 1.8 MGD | 1.78 MGD | 1.95 MGD |
| 7.4 MGD | 7.4 MGD | 7.4 MGD | 7.4 MGD | 7.4 MGD  | 7.4 MGD  |
| 6,800   | 6,800   | 6,800   | 6,800   | 6,800    | 6,535    |
| 140     | 140     | 140     | 140     | 140      | 140      |
| 1       | 1       | 1       | 1       | 1        | 1        |
| 1       | 1       | 1       | 1       | 1        | 1        |
| 4.5 MGD | 4.5 MGD | 4.5 MGD | 4.5 MGD | 5.8 MGD  | 5.4 MGD  |
| 8.0 MGD | 8.0 MGD | 8.0 MGD | 8.0 MGD | 8.0 MGD  | 8.0 MGD  |
| 100     | 100     | 100     | 100     | 100      | 100      |
| 1       | 1       | 1       | 1       | 1        | 1        |
| 3       | 3       | 3       | 3       | 3        | 3        |
| 2       | 2       | 2       | 2       | 2        | 2        |
| 1       | 1       | 1       | 1       | 1        | 1        |
| 1       | 1       | 1       | 1       | 1        | 1        |
| 220     | 220     | 220     | 220     | 220      | 220      |

Capital Asset Statistics by Function  
Last Ten Fiscal Years

| Function                      | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------------------|------|------|------|------|------|------|------|------|------|------|
| General government            |      |      |      |      |      |      |      |      |      |      |
| Administration buildings      | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 6    |
| Vehicles                      | 4    | 4    | 4    | 4    | 4    | 4    | 3    | 3    | 4    | 2    |
| Public safety                 |      |      |      |      |      |      |      |      |      |      |
| Police department:            |      |      |      |      |      |      |      |      |      |      |
| Patrol units                  | 9    | 9    | 19   | 21   | 23   | 22   | 26   | 27   | 29   | 27   |
| Other vehicles*               | 16   | 16   | 13   | 10   | 13   | 16   | 15   | 17   | 18   | 19   |
| Sheriffs department:          |      |      |      |      |      |      |      |      |      |      |
| Patrol units                  | 0    | 10   | 11   | 12   | 12   | 13   | 13   | 13   | 16   | 15   |
| Other vehicles*               | 17   | 7    | 8    | 10   | 10   | 10   | 12   | 12   | 12   | 10   |
| Fire department:              |      |      |      |      |      |      |      |      |      |      |
| Vehicles                      | 13   | 12   | 12   | 13   | 12   | 12   | 14   | 14   | 16   | 14   |
| Building inspections:         |      |      |      |      |      |      |      |      |      |      |
| Vehicles                      | 2    | 2    | 2    | 2    | 1    | 1    | 1    | 1    | 1    | 2    |
| Animal control:               |      |      |      |      |      |      |      |      |      |      |
| Vehicles                      | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Public works                  |      |      |      |      |      |      |      |      |      |      |
| General maintenance:          |      |      |      |      |      |      |      |      |      |      |
| Trucks/vehicles               | 80   | 80   | 66   | 64   | 60   | 59   | 59   | 60   | 57   | 60   |
| Refuse:                       |      |      |      |      |      |      |      |      |      |      |
| Vehicles                      | 8    | 9    | 10   | 10   | 10   | 10   | 9    | 10   | 12   | 14   |
| Sites                         | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Culture and recreation        |      |      |      |      |      |      |      |      |      |      |
| Parks and recreation:         |      |      |      |      |      |      |      |      |      |      |
| Community centers             | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Vehicles                      | 14   | 7    | 12   | 12   | 13   | 12   | 12   | 12   | 12   | 11   |
| Playing Fields                | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    | 9    |
| Tennis courts                 | 3    | 3    | 3    | 3    | 3    | 3    | 3    | 3    | 3    | 3    |
| Community development         |      |      |      |      |      |      |      |      |      |      |
| Planning:                     |      |      |      |      |      |      |      |      |      |      |
| Vehicles                      | 2    | 2    | 2    | 1    | 1    | 1    | 1    | 1    | 1    | 2    |
| Component Unit - School Board |      |      |      |      |      |      |      |      |      |      |
| Education:                    |      |      |      |      |      |      |      |      |      |      |
| Schools                       | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    |
| School buses                  | 35   | 28   | 28   | 28   | 30   | 30   | 31   | 33   | 32   | 31   |
| Other vehicles                | 29   | 27   | 27   | 23   | 23   | 29   | 25   | 26   | 29   | 27   |

Source: Individual city departments

\*Police: includes Admin, CID & K-9

Sheriff: includes Admin, Annex & M/C's

## **Compliance**

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

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**To The Honorable Members of  
City Council  
City of Martinsville, Virginia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Martinsville, Virginia as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Martinsville, Virginia's basic financial statements, and have issued our report thereon dated November 24, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Martinsville, Virginia's internal control over financial reporting (internal control) as a basis for designing 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 City of Martinsville, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Martinsville, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Martinsville, Virginia'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 financial statements. 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*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
November 24, 2020

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**Independent Auditors' Report on Compliance For Each Major Program and on  
Internal Control over Compliance Required by the Uniform Guidance**

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**To The Honorable Members of  
City Council  
City of Martinsville, Virginia**

**Report on Compliance for Each Major Federal Program**

We have audited the City of Martinsville, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Martinsville, Virginia's major federal programs for the year ended June 30, 2020. City of Martinsville, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Martinsville, Virginia'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 City of Martinsville, Virginia'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 City of Martinsville, Virginia's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, City of Martinsville, Virginia complied, in all material respects, with the types of 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, 2020.

## ***Report on Internal Control over Compliance***

Management of the City of Martinsville, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Martinsville, Virginia'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 federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 City of Martinsville, Virginia's internal control over compliance.

*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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Robinson, Kammel, Cox Associates*

Charlottesville, Virginia  
November 24, 2020

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
For the Year Ended June 30, 2020

| Federal Grantor/State Pass - Through Grantor/<br>Program or Cluster Title                         | Federal<br>CFDA<br>Number | Pass-Through Entity<br>Identifying<br>Number | Federal<br>Expenditures | Provided to<br>Subrecipients |
|---------------------------------------------------------------------------------------------------|---------------------------|----------------------------------------------|-------------------------|------------------------------|
| <b>PRIMARY GOVERNMENT:</b>                                                                        |                           |                                              |                         |                              |
| <u>DEPARTMENT OF TRANSPORTATION:</u>                                                              |                           |                                              |                         |                              |
| <u>Direct payments:</u>                                                                           |                           |                                              |                         |                              |
| Highway Planning and Construction Cluster:                                                        |                           |                                              |                         |                              |
| Highway Planning and Construction                                                                 | 20.205                    | N/A                                          | \$ 162,578              | \$ -                         |
| <u>Pass through payments:</u>                                                                     |                           |                                              |                         |                              |
| Highway Safety Cluster:                                                                           |                           |                                              |                         |                              |
| Department of Motor Vehicles:                                                                     |                           |                                              |                         |                              |
| State and Community Highway Safety                                                                | 20.600                    | FSC-2019-59103-9103                          | \$ 4,189                |                              |
| National Priority Safety Programs                                                                 | 20.616                    | M6OT-2019-59099-9099                         | 5,027                   |                              |
| Total Highway Safety Cluster                                                                      |                           |                                              | 9,216                   | -                            |
| Total Department of Transportation                                                                |                           |                                              | \$ 171,794              | \$ -                         |
| <u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>                                                   |                           |                                              |                         |                              |
| <u>Direct payments:</u>                                                                           |                           |                                              |                         |                              |
| Provider Relief Fund                                                                              | 93.498                    | N/A                                          | \$ 27,342               | \$ -                         |
| <u>Pass through payments:</u>                                                                     |                           |                                              |                         |                              |
| Department of Social Services:                                                                    |                           |                                              |                         |                              |
| Social Services Block Grant                                                                       | 93.667                    | Unknown                                      | 1,227                   | -                            |
| Total Department of Health and Human Services                                                     |                           |                                              | \$ 28,569               | \$ -                         |
| <u>DEPARTMENT OF HOMELAND SECURITY:</u>                                                           |                           |                                              |                         |                              |
| <u>Pass through payments:</u>                                                                     |                           |                                              |                         |                              |
| Department of Emergency Management:                                                               |                           |                                              |                         |                              |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters)                           | 97.036                    | Unknown                                      | \$ 201,593              | \$ -                         |
| Emergency Management Performance Grants                                                           | 97.042                    | EMP-2018-EP-00007                            | 8,216                   | -                            |
| Homeland Security Grant Program                                                                   | 97.067                    |                                              | 46,767                  | -                            |
| Total Department of Homeland Security                                                             |                           |                                              | \$ 256,576              | \$ -                         |
| <u>APPALACHIAN REGIONAL COMMISSION:</u>                                                           |                           |                                              |                         |                              |
| <u>Direct payments:</u>                                                                           |                           |                                              |                         |                              |
| Appalachian Research, Technical Assistance, and Demonstration Projects                            | 23.011                    | N/A                                          | \$ 45,001               | \$ -                         |
| <u>ENVIRONMENTAL PROTECTION AGENCY:</u>                                                           |                           |                                              |                         |                              |
| <u>Direct payments:</u>                                                                           |                           |                                              |                         |                              |
| Brownfields Multipurpose, Assessment , Revolving Loan Fund, and<br>Cleanup Cooperative Agreements | 66.818                    | N/A                                          | \$ 92,179               | \$ -                         |
| <u>Pass through payments:</u>                                                                     |                           |                                              |                         |                              |
| Virginia Resources Authority:                                                                     |                           |                                              |                         |                              |
| Clean Water State Revolving Fund Cluster:                                                         |                           |                                              |                         |                              |
| Capitalization Grants for Clean Water State Revolving Funds                                       | 66.458                    | Unknown                                      | 303,526                 | -                            |
| Total Environmental Protection Agency                                                             |                           |                                              | \$ 395,705              | \$ -                         |
| <u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>                                               |                           |                                              |                         |                              |
| <u>Pass through payments:</u>                                                                     |                           |                                              |                         |                              |
| Department of Housing and Community Development:                                                  |                           |                                              |                         |                              |
| Community Development Block Grants / State's Program and Non-Entitlement<br>Grants in Hawaii      | 14.228                    | Unknown                                      | \$ 48,875               | \$ -                         |
| <u>DEPARTMENT OF LABOR:</u>                                                                       |                           |                                              |                         |                              |
| <u>Pass through payments:</u>                                                                     |                           |                                              |                         |                              |
| Department for Aging and Rehabilitative Services:                                                 |                           |                                              |                         |                              |
| Senior Community Service Employment Program                                                       | 17.235                    | Unknown                                      | \$ 19,653               | \$ -                         |
| <u>DEPARTMENT OF JUSTICE:</u>                                                                     |                           |                                              |                         |                              |
| <u>Direct payments:</u>                                                                           |                           |                                              |                         |                              |
| Alcohol, Tobacco, and Firearms Training Assistance                                                | 16.012                    | N/A                                          | \$ 7,540                | \$ -                         |
| Bullet Proof Vest Partnership Program                                                             | 16.607                    | N/A                                          | 21,721                  | -                            |
| Edward Byrne Memorial Justice Assistance Grant Program                                            | 16.738                    | N/A                                          | 31,331                  | -                            |
| Equitable Sharing Program                                                                         | 16.922                    | N/A                                          | 35,735                  | -                            |
| <u>Pass through payments:</u>                                                                     |                           |                                              |                         |                              |
| Department of Criminal Justice Services:                                                          |                           |                                              |                         |                              |
| Crime Victim Assistance                                                                           | 16.575                    | 16VAGX0039<br>17VAGX0018                     | 75,514                  | -                            |
| Total Department of Justice                                                                       |                           |                                              | \$ 171,841              | \$ -                         |
| <u>DEPARTMENT OF TREASURY:</u>                                                                    |                           |                                              |                         |                              |
| <u>Pass through payments:</u>                                                                     |                           |                                              |                         |                              |
| Department of Accounts:                                                                           |                           |                                              |                         |                              |
| Coronavirus Relief Fund                                                                           | 21.019                    | Unknown                                      | \$ 387,260              | \$ 117,499                   |
| <b>Total Primary Government</b>                                                                   |                           |                                              | \$ 1,525,274            | \$ 117,499                   |

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
For the Year Ended June 30, 2020 (Continued)

| Federal Grantor/State Pass - Through Grantor/<br>Program or Cluster Title                          | Federal<br>CFDA<br>Number | Pass-Through Entity<br>Identifying<br>Number |            | Federal<br>Expenditures | Provided to<br>Subrecipients |
|----------------------------------------------------------------------------------------------------|---------------------------|----------------------------------------------|------------|-------------------------|------------------------------|
| <b>COMPONENT UNIT-SCHOOL BOARD:</b>                                                                |                           |                                              |            |                         |                              |
| <u>DEPARTMENT OF AGRICULTURE:</u>                                                                  |                           |                                              |            |                         |                              |
| <u>Pass through payments:</u>                                                                      |                           |                                              |            |                         |                              |
| Child Nutrition Cluster:                                                                           |                           |                                              |            |                         |                              |
| Virginia Department of Agriculture and Consumer Services:                                          |                           |                                              |            |                         |                              |
| Food Distribution - National School Lunch Program                                                  | 10.555                    | APE40254                                     | \$ 106,844 |                         |                              |
| Virginia Department of Education:                                                                  |                           |                                              |            |                         |                              |
| National School Lunch Program                                                                      | 10.555                    | APE40254                                     | 696,162    |                         |                              |
| COVID-19 - National School Lunch Program                                                           | 10.555                    | APE40264                                     | 53,025     | \$ 856,031              |                              |
| Virginia Department of Education:                                                                  |                           |                                              |            |                         |                              |
| School Breakfast Program                                                                           | 10.553                    | APE40253                                     | \$ 285,978 |                         |                              |
| COVID-19 - School Breakfast Program                                                                | 10.553                    | APE40263                                     | 22,607     | 308,585                 |                              |
| Summer Food Service Program for Children                                                           | 10.559                    | APE60302 & APE60303                          | \$ 123,332 |                         |                              |
| COVID-19 - Summer Food Service Program for Children                                                | 10.559                    | APE60175 & APE60176                          | 192,816    | 316,148                 |                              |
| Total Child Nutrition Cluster                                                                      |                           |                                              |            | \$ 1,480,764            | \$ -                         |
| Virginia Department of Education:                                                                  |                           |                                              |            |                         |                              |
| Child and Adult Care Food Program                                                                  | 10.558                    | APE70027                                     | 7,035      |                         |                              |
| COVID-19 - Child and Adult Care Food Program                                                       | 10.558                    | APE70035                                     | 1,913      | 8,948                   | -                            |
| Fresh Fruit and Vegetable Program                                                                  | 10.582                    | APE40252                                     |            | 42,940                  | -                            |
| Total Department of Agriculture                                                                    |                           |                                              |            | \$ 1,532,652            | \$ -                         |
| <u>DEPARTMENT OF EDUCATION:</u>                                                                    |                           |                                              |            |                         |                              |
| <u>Direct payments:</u>                                                                            |                           |                                              |            |                         |                              |
| Department of Education:                                                                           |                           |                                              |            |                         |                              |
| Adult Education - National Leadership Activities                                                   | 84.191                    | N/A                                          |            | \$ 29,846               | \$ -                         |
| <u>Pass through payments:</u>                                                                      |                           |                                              |            |                         |                              |
| Department of Education:                                                                           |                           |                                              |            |                         |                              |
| Title I Grants to Local Educational Agencies                                                       | 84.010                    | APE42901                                     |            | 906,356                 | -                            |
| Special Education Cluster (IDEA):                                                                  |                           |                                              |            |                         |                              |
| Special Education - Grants to States                                                               | 84.027                    | APE43071                                     | \$ 537,406 |                         |                              |
| Special Education - Preschool Grants                                                               | 84.173                    | APE62521                                     | 8,078      |                         |                              |
| Total Special Education Cluster                                                                    |                           |                                              |            | 545,484                 | -                            |
| Career and Technical Education - Basic Grants to States                                            | 84.048                    | APE61095                                     |            | 5,509                   | -                            |
| English Language Acquisition State Grants                                                          | 84.365                    | APE43405                                     |            | 5,979                   | -                            |
| Supporting Effective Instruction State Grants (formerly<br>Improving Teacher Quality State Grants) | 84.367                    | APE61480                                     |            | 161,594                 | -                            |
| Rural Education                                                                                    | 84.358                    | APE43481                                     |            | 6,139                   | -                            |
| Student Support and Academic Enrichment Program                                                    | 84.424                    | APE60281                                     |            | 24,528                  | -                            |
| Total Department of Education                                                                      |                           |                                              |            | \$ 1,685,435            | \$ -                         |
| <b>Total Component Unit School Board</b>                                                           |                           |                                              |            | <b>\$ 3,218,087</b>     | <b>\$ -</b>                  |
| <b>Total Expenditures of Federal Awards</b>                                                        |                           |                                              |            | <b>\$ 4,743,361</b>     | <b>\$ 117,499</b>            |

See accompanying notes to schedule of expenditures of federal awards.

## CITY OF MARTINSVILLE, VIRGINIA

### Notes to Schedule of Expenditures of Federal Awards For The Year Ended June 30, 2020

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#### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Martinsville, Virginia under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the reporting requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Martinsville, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Martinsville, Virginia.

#### Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

#### Note 3 - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

#### Note 4 - Subrecipients

The City did pass through federal awards to subrecipients in the fiscal year.

#### Note 5 - Relationship to Financial Statements

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

|                                                                                  |                            |
|----------------------------------------------------------------------------------|----------------------------|
| Intergovernmental federal revenues per the basic financial statements:           |                            |
| Primary government:                                                              |                            |
| General Fund                                                                     | \$ 838,308                 |
| Special Revenue Fund:                                                            |                            |
| CARES Fund                                                                       | 387,260                    |
| Capital Projects Funds:                                                          |                            |
| Meals Tax Fund                                                                   | <u>373,384</u>             |
| Total primary government                                                         | \$ <u>1,598,952</u>        |
| Component Unit School Board:                                                     |                            |
| School Operating Fund                                                            | \$ 29,846                  |
| School Grants Fund                                                               | 1,655,589                  |
| School Cafeteria Fund                                                            | <u>1,532,652</u>           |
| Total component unit school board                                                | \$ 3,218,087               |
| Reconcile federal revenues to expenditures:                                      |                            |
| Add: Loan proceeds in the Sewer Fund                                             | 303,526                    |
| Less: Joint Law Enforcement Operation Funds (JLEO formerly CFDA 16.111)          | (3,820)                    |
| Less: Federal tax credit subsidy on QSCB bond                                    | <u>(373,384)</u>           |
| Total federal expenditures per the Schedule of Expenditures<br>of Federal Awards | \$ <u><u>4,743,361</u></u> |

#### Note 6 - De Minimis Cost Rate

The City did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

#### Note 7 - Loan Balance

The City has no loans or loan guarantees which are subject to reporting requirements for the current year.

## CITY OF MARTINSVILLE, VIRGINIA

### Schedule of Findings and Questioned Costs For The Year Ended June 30, 2020

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#### Section I - Summary of Auditors' Results

##### Financial Statements

|                                                       |            |
|-------------------------------------------------------|------------|
| Type of auditors' report issued:                      | Unmodified |
| Internal control over financial reporting:            |            |
| Material weakness(es) identified?                     | No         |
| Significant deficiency(ies) identified?               | No         |
| Noncompliance material to financial statements noted? | No         |

##### Federal Awards

|                                                                                                               |            |
|---------------------------------------------------------------------------------------------------------------|------------|
| Internal control over major programs:                                                                         |            |
| Material weakness(es) identified?                                                                             | No         |
| Significant deficiency(ies) identified?                                                                       | No         |
| Type of auditors' report issued on compliance<br>for major programs:                                          | Unmodified |
| Any audit findings disclosed that are required to be<br>reported in accordance with 2 CFR section 200.516(a)? | No         |

Identification of major programs:

| CFDA #                   | Name of Federal Program or Cluster |
|--------------------------|------------------------------------|
| 10.553 / 10.555 / 10.559 | Child Nutrition Cluster            |
| 21.019                   | Coronavirus Relief Fund            |

|                                                                             |           |
|-----------------------------------------------------------------------------|-----------|
| Dollar threshold used to distinguish between Type A<br>and Type B programs: | \$750,000 |
|-----------------------------------------------------------------------------|-----------|

|                                        |     |
|----------------------------------------|-----|
| Auditee qualified as low-risk auditee? | Yes |
|----------------------------------------|-----|

#### Section II - Financial Statement Findings

There are no financial statement findings to report.

#### Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

#### Section IV - Prior Year Findings

There are no prior year findings.