

Martinsville, Virginia
A CITY WITHOUT LIMITS



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2019

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

PREPARED BY:

Finance Department

CITY OF MARTINSVILLE, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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CITY OF MARTINSVILLE, VIRGINIA

City Council

Kathy Lawson, Mayor
Chad Martin, Vice-Mayor

James Woods

Danny Turner

Jennifer Bowles

School Board

Vacant, Chairperson
Donna Dillard, Vice-Chairperson

Eric Hruza

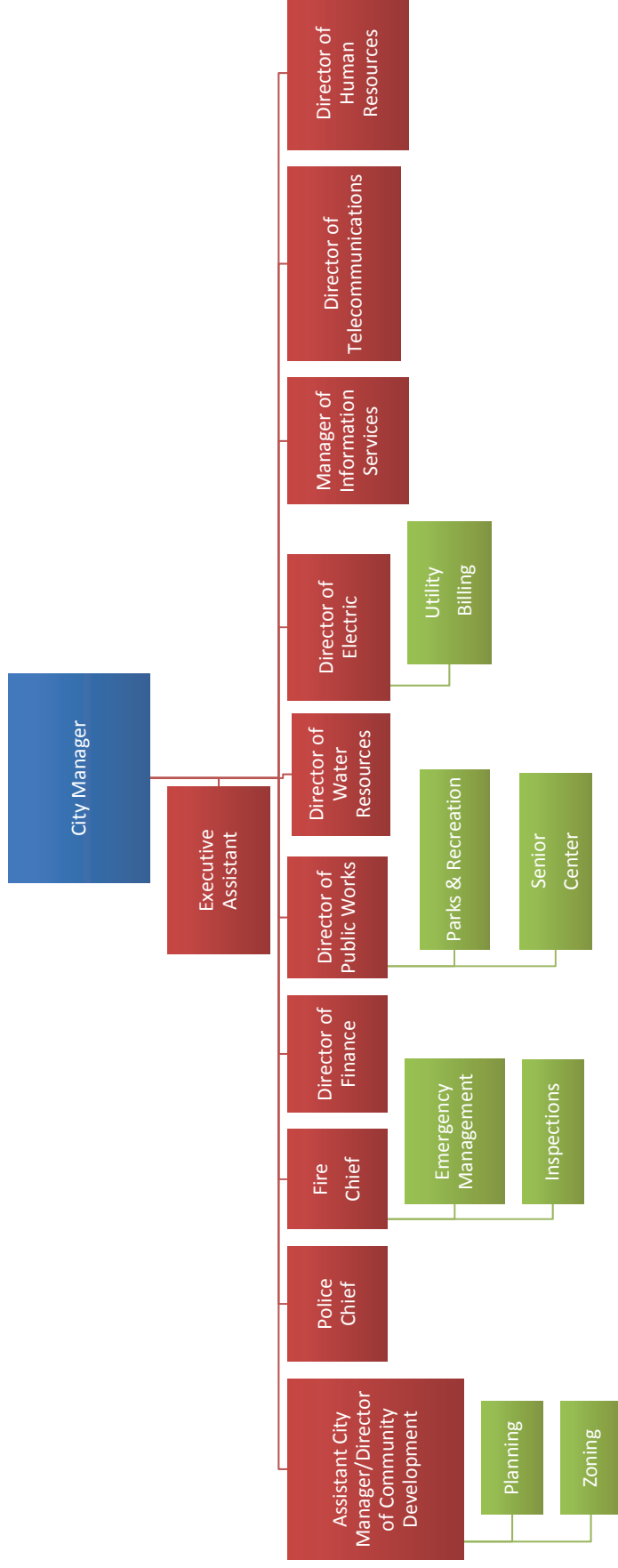
Sammy Redd

Tonya Jones

Other Officials

City Manager	Leon E. Towarnicki
Clerk of the Circuit Court	Ashby R. Pritchett
City Attorney	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	Chris Morris
Electric Director	Durwin Joyce
Purchasing Manager.....	Zachary Morris
Fire Chief	Ted Anderson
Water Resources	Andy Lash

City of Martinsville Organizational Chart





ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Report

**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, 2019, 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, 2019, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2019, the City adopted new accounting guidance, GASB State No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 19 of the financial statements, in 2019, the City restated beginning balances to show a long-term grant repayment liability incurred in a prior year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 15-25, 123-124, and 125-136 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.

Other Matters (Continued)

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2019, 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, Farnell, Cox Associates

Charlottesville, Virginia
November 18, 2019

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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, 2019. 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 2019, the City restated beginning net position to show a long-term grant repayment liability incurred in a prior year. As a result of restatement, net position decreased by \$780,000 for the governmental activities. The restated amounts were 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 \$32,830,903 (total net position).
- The Governmental activities net position was \$1,604,804 of the City's total, an increase of \$1,719,984 from net position of (\$115,180) at June 30, 2018.
- Net position of the City's various business-type activities totaled \$31,226,099. This is an increase of \$2,749,760 or 9.66% compared to net position of \$28,476,339 at June 30, 2018.

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources by \$1,082,802 (Exhibit 4) after making direct contributions totaling \$6,144,512 to the School Board. Additionally, \$1,368,386 was expended from the Meals Tax Fund to retire School related debt. A total of \$7,512,898 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 \$6,847,360, which is a decrease of \$1,082,802 in comparison with the prior fiscal year.
- At the close of the current fiscal year, the unassigned fund balance for the General Fund was \$4,331,449 or 13.12% of total general fund expenditures.
- The combined long-term Governmental activities obligations decreased \$1,114,544 or approximately 3.52% during the current fiscal year. This is mostly due to a decrease in the actuarially determined net pension liability and repayment of long-term obligation principal.

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 one major governmental fund - the *General Fund*. The City has three funds considered Non-major funds. These are the Community Development Block Grant Fund (CDBG), the Capital Reserve Fund, and the Meals Tax Fund. For reporting purposes, the CDBG Fund is called the City Grants Fund. The Capital Reserve Fund and the Meals Tax Fund are combined to form the Capital Projects Funds. Together the Special Revenue Funds and the Capital Projects Funds comprise the City's Non-major 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 FY2019, (1) assets and deferred outflows of resources exceeded (2) liabilities and deferred inflows of resources by \$32,830,903 at the close of the fiscal year as presented in the Table below. This was an increase of \$4,469,744 or 15.76% less than the FY2018 closing amount of \$28,361,159.

City of Martinsville, Virginia
Schedule of Assets, Liabilities and Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 11,499,881	\$ 11,944,553	\$ 15,682,718	\$ 15,766,476	\$ 27,182,599	\$ 27,711,029
Capital assets	<u>21,570,857</u>	<u>22,412,578</u>	<u>48,849,806</u>	<u>42,337,966</u>	<u>70,420,663</u>	<u>64,750,544</u>
Total assets	\$ 33,070,738	\$ 34,357,131	\$ 64,532,524	\$ 58,104,442	\$ 97,603,262	\$ 92,461,573
Deferred outflows of resources	<u>2,239,713</u>	<u>1,761,927</u>	<u>457,162</u>	<u>836,916</u>	<u>2,696,875</u>	<u>2,598,843</u>
Total assets and deferred outflows of resources	<u>\$ 35,310,451</u>	<u>\$ 36,119,058</u>	<u>\$ 64,989,686</u>	<u>\$ 58,941,358</u>	<u>\$ 100,300,137</u>	<u>\$ 95,060,416</u>
Long-term liabilities outstanding	\$ 29,664,430	\$ 31,119,279	\$ 30,813,694	\$ 27,588,674	\$ 60,478,124	\$ 58,707,953
Current liabilities	<u>3,257,527</u>	<u>3,030,107</u>	<u>2,626,314</u>	<u>2,475,859</u>	<u>5,883,841</u>	<u>5,505,966</u>
Total liabilities	<u>\$ 32,921,957</u>	<u>\$ 34,149,386</u>	<u>\$ 33,440,008</u>	<u>\$ 30,064,533</u>	<u>\$ 66,361,965</u>	<u>\$ 64,213,919</u>
Deferred inflows of resources	<u>\$ 783,690</u>	<u>\$ 2,084,852</u>	<u>\$ 323,579</u>	<u>\$ 400,486</u>	<u>\$ 1,107,269</u>	<u>\$ 2,485,338</u>
Net position:						
Net investment in capital assets	\$ 10,741,090	\$ 10,317,087	\$ 24,696,125	\$ 21,620,820	\$ 35,437,215	\$ 31,937,907
Unrestricted	<u>(9,136,286)</u>	<u>(10,432,267)</u>	<u>6,529,974</u>	<u>6,855,519</u>	<u>(2,606,312)</u>	<u>(3,576,748)</u>
Total net position	<u>\$ 1,604,804</u>	<u>\$ (115,180)</u>	<u>\$ 31,226,099</u>	<u>\$ 28,476,339</u>	<u>\$ 32,830,903</u>	<u>\$ 28,361,159</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 35,310,451</u>	<u>\$ 36,119,058</u>	<u>\$ 64,989,686</u>	<u>\$ 58,941,358</u>	<u>\$ 100,300,137</u>	<u>\$ 95,060,416</u>

At the end of FY2019, the City's net investment in capital assets is \$35,437,215, which exceeds total net position of \$32,830,903. 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 \$10,741,090.

Restricted Assets represent resources subject to external restrictions on how they may be used. In FY2019, the City held cash restricted for Electric and Water customer deposits totaling \$399,835.

Government-wide Financial Analysis (Continued)

Governmental Activities - Governmental activities increased Martinsville City's net position by \$1,719,984. The key elements of this increase are found in exhibit 2.

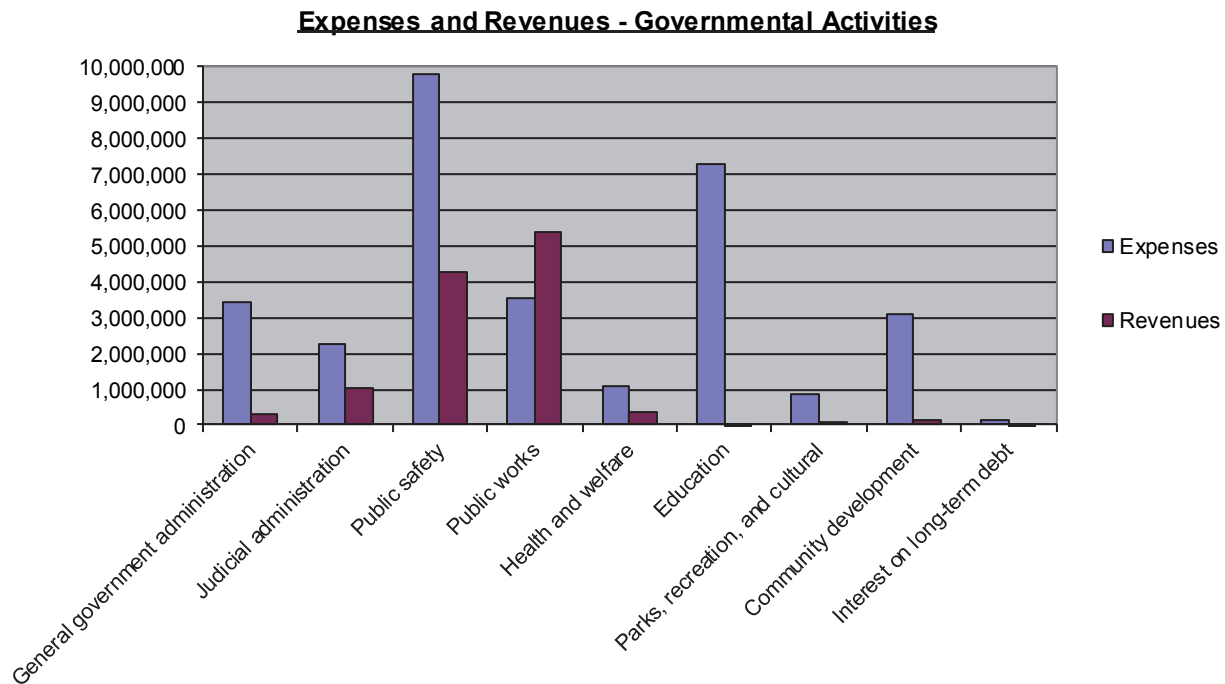
**City of Martinsville, Virginia
Changes in Net Position
Governmental and Business-Type Activities
For the Years Ended June 30, 2019 and 2018**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 2,476,786	\$ 2,338,374	\$ 29,341,201	\$ 28,792,347	\$ 31,817,987	\$ 31,130,721
Operating grants and contributions	8,328,425	8,573,217	-	-	8,328,425	8,573,217
Capital grants and contributions	755,137	327,400	1,000,000	-	1,755,137	327,400
General revenues:						
General property taxes	9,728,127	8,964,713	-	-	9,728,127	8,964,713
Other local taxes	7,554,516	7,376,919	-	-	7,554,516	7,376,919
Commonwealth non-categorical aid	1,526,595	1,577,765	-	-	1,526,595	1,577,765
Other general revenues	1,687,905	1,575,425	23,386	42,833	1,711,291	1,618,258
Total revenues	<u>\$ 32,057,491</u>	<u>\$ 30,733,813</u>	<u>\$ 30,364,587</u>	<u>\$ 28,835,180</u>	<u>\$ 62,422,078</u>	<u>\$ 59,568,993</u>
Expenses:						
General government administration	\$ 3,431,098	\$ 3,981,860	\$ -	\$ -	\$ 3,431,098	\$ 3,981,860
Judicial administration	2,262,276	2,314,974	-	-	2,262,276	2,314,974
Public safety	9,801,973	9,902,833	-	-	9,801,973	9,902,833
Public works	3,545,037	4,926,615	-	-	3,545,037	4,926,615
Health and welfare	1,114,250	960,166	-	-	1,114,250	960,166
Education	7,296,370	7,305,996	-	-	7,296,370	7,305,996
Parks, recreation, and cultural	855,335	883,520	-	-	855,335	883,520
Community development	3,073,604	3,231,968	-	-	3,073,604	3,231,968
Interest on long-term debt	126,708	153,162	-	-	126,708	153,162
Electric	-	-	18,277,367	18,842,419	18,277,367	18,842,419
Water	-	-	2,199,820	1,998,279	2,199,820	1,998,279
Sewer	-	-	4,011,522	3,352,971	4,011,522	3,352,971
Refuse collection/landfill	-	-	1,956,974	1,792,739	1,956,974	1,792,739
Total expenses	<u>\$ 31,506,651</u>	<u>\$ 33,661,094</u>	<u>\$ 26,445,683</u>	<u>\$ 25,986,408</u>	<u>\$ 57,952,334</u>	<u>\$ 59,647,502</u>
Change in net position before transfers	\$ 550,840	\$ (2,927,281)	\$ 3,918,904	\$ 2,848,772	\$ 4,469,744	\$ (78,509)
Transfers	1,169,144	2,891,539	(1,169,144)	(2,891,539)	-	-
Change in net position	<u>\$ 1,719,984</u>	<u>\$ (35,742)</u>	<u>\$ 2,749,760</u>	<u>\$ (42,767)</u>	<u>\$ 4,469,744</u>	<u>\$ (78,509)</u>
Net position - beginning, as restated	(115,180)	(79,438)	28,476,339	28,519,106	28,361,159	28,439,668
Net position - ending	<u>\$ 1,604,804</u>	<u>\$ (115,180)</u>	<u>\$ 31,226,099</u>	<u>\$ 28,476,339</u>	<u>\$ 32,830,903</u>	<u>\$ 28,361,159</u>

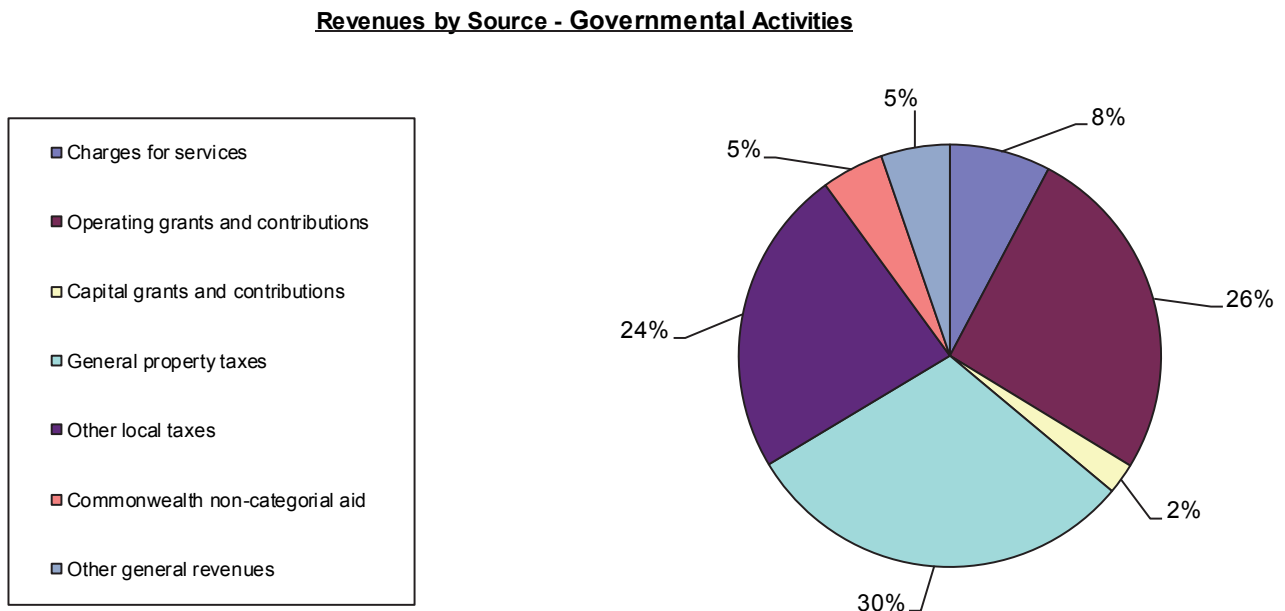
Revenues and transfers in governmental activities totaled \$33,226,635 with operating grants and contributions (25.98%), general property taxes (30.35%), and other local taxes (23.57%) comprising 79.89% of the City's revenues. Expenses for public safety (31.11%), education (23.16%), public works (11.25%), community development (9.76%), and general government administration (10.89%), account for 86.17% of total governmental expenses of \$31,506,651.

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 \$3,918,904 after deducting \$1,169,144 in transfers to the General and Capital Reserve Funds. Transfers out of business-type activities decreased by \$1,722,395 compared to the prior fiscal year.

Financial Analysis of the City's Funds

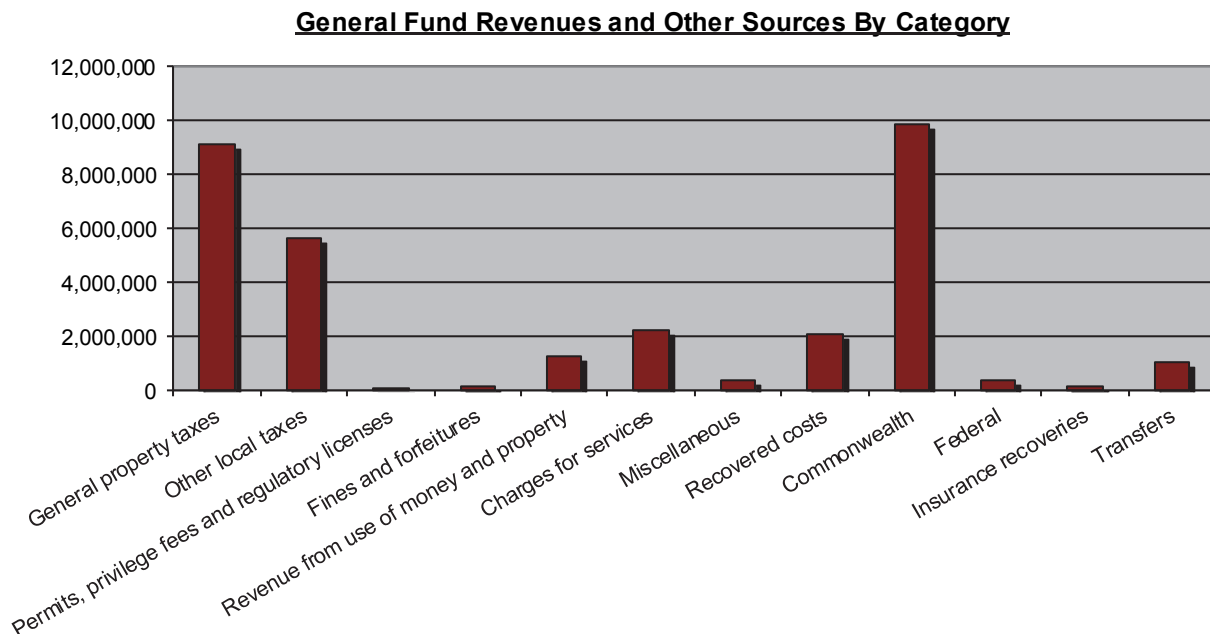
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 \$6,847,360, a decrease of \$1,082,802 when compared to the prior year. \$4,331,449, or 63.26%, of the combined governmental fund balance is unassigned. The remaining \$2,515,911, or 36.74%, of the total fund balance is non-spendable, committed or assigned to show it is not available for spending because it has been designated as non-spendable, 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, 2019 of \$6,242,154. This is a decrease from the prior year of \$472,169. The General Fund expenditures exceeded revenues in the current year by \$1,629,509; the expenditures exceeded revenues in FY18 by \$1,345,484. The transfer amounts into the General Fund of \$1,038,945 decreased by \$1,151,956 compared to FY18. During FY19, 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 \$52,802. \$4,331,449, representing 69.39% of the total fund balance is unassigned, a decrease of \$328,929, compared to \$4,660,378 of unassigned fund balance from June 30, 2018. As a measure of the General Funds liquidity, it is useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 13.17% of total General Fund expenditures, while total fund balance is 18.97% of that same amount.

General Fund Revenues and Other Sources by Category

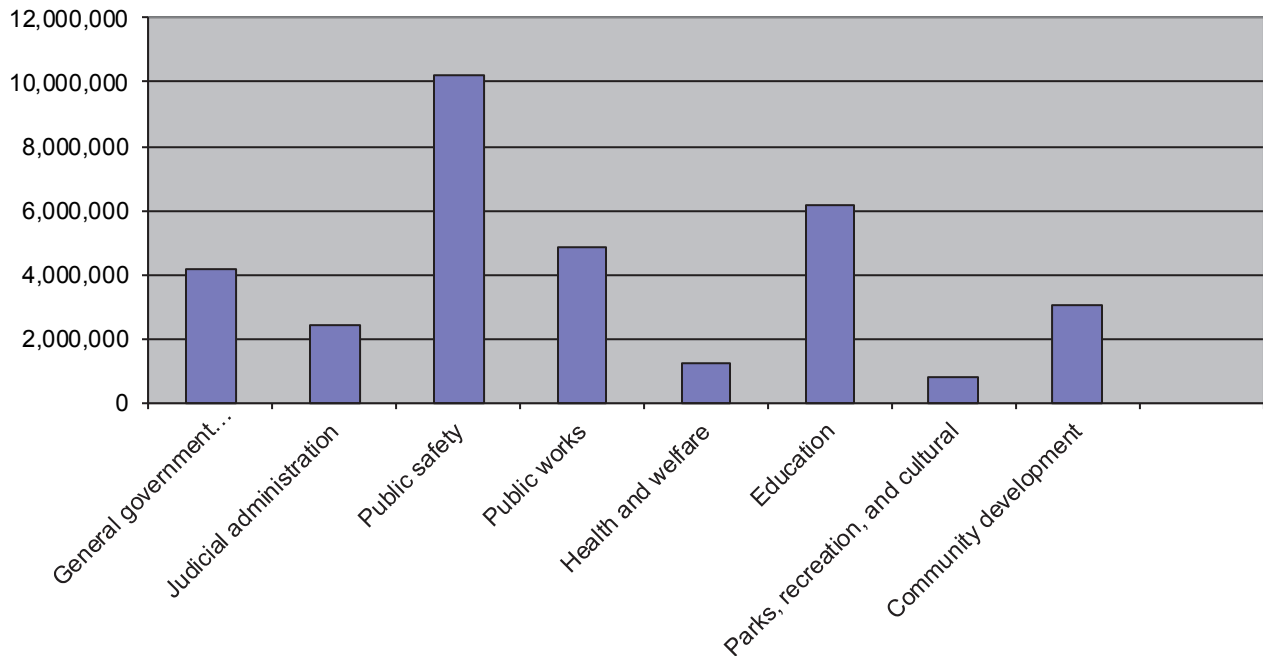
The following graph depicts General Fund revenues and other sources by categories. Total revenues and other sources are \$32,479,037, including transfers into the fund of \$1,038,945 and insurance recoveries of \$171,197.



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 \$32,898,404.

General Fund Expenditures and Other Sources By Category



Proprietary funds – reported combined ending net position of \$31,226,099, an increase of \$2,749,760 in comparison with the amount reported on June 30, 2018. The Electric Fund increased \$968,111; the Refuse Fund increased \$287,354; the Water Fund increased \$168,402; and the Sewer Fund increased \$1,325,893.

The Enterprise Funds contributed \$1,169,144 in the support of other City operations. Transfers were made to the General Fund and Capital Reserve Fund in FY2019.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were as follows. Revenues were increased by \$616,898 or 2.08%, while expenditures increased by \$1,336,290 or 4.14%.

The Revenue increases (decreases) were as follows:

- \$6,221 in Use of Money & Property
- \$10,000 in Charges for Services
- \$6,280 in Miscellaneous Revenue
- \$89,644 in Recovered Costs
- \$328,495 in Intergovernmental revenues from the Commonwealth
- \$176,258 in Intergovernmental revenues from the Federal Government

General Fund Budgetary Highlights: (Continued)

The Expenditure amendments were as follows:

- \$78,614 in General government administration
- \$31,921 in Judicial administration
- \$396,086 in Public Safety
- \$490,724 in Public Works
- \$9,316 in Parks, Recreation, and Cultural
- \$329,629 in Community development

During the year, actual revenues were greater than budgeted by \$1,036,692 or 3.43%; actual expenditures were less than the budget by \$713,605 or 2.12%. The result was a positive variance of \$1,750,297 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, 2019, is \$70,420,663 (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 FY2019 were: patrol cars, trucks, security system, SCBA units, infrastructure improvements, and continuing facility renovations.

City of Martinsville, Virginia's Capital Assets June 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,379,094	\$ 4,379,094	\$ 683,624	\$ 683,624	\$ 5,062,718	\$ 5,062,718
Construction in progress	-	-	-	5,994,446	-	5,994,446
Buildings and improvements	17,727,822	18,614,946	7,786,159	6,779,238	25,513,981	25,394,184
Infrastructure	34,731,414	34,731,414	88,309,724	75,946,730	123,041,138	110,678,144
Equipment	11,078,747	10,140,028	9,686,803	8,982,098	20,765,550	19,122,126
Total	\$ 67,917,077	\$ 67,865,482	\$ 106,466,310	\$ 98,386,136	\$ 174,383,387	\$ 166,251,618
Less: accumulated depreciation	46,346,220	45,452,904	57,616,504	56,048,170	103,962,724	101,501,074
Net capital assets	<u>\$ 21,570,857</u>	<u>\$ 22,412,578</u>	<u>\$ 48,849,806</u>	<u>\$ 42,337,966</u>	<u>\$ 70,420,663</u>	<u>\$ 64,750,544</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 FY2019, Martinsville City had total outstanding obligations (not including pension or OPEB obligations) of \$39,330,998. Of this amount, \$11,541,767 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 increase in the City's long-term debt of \$2,277,075. 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, 2019 the City's ratio of Net General Obligation Debt to Assessed Value was 3.66%. 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 FY2019 Budget and Tax Rates

The FY19 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 FY2020 - Opportunities and Challenges

The City faces both opportunities and challenges in FY20, including the following issues:

- 1. Unemployment, under-employment, and other workforce challenges** - After many years of experiencing higher unemployment relative to other localities around the state, Martinsville has shown substantial and steady improvement - the unemployment rate for the City on June 30, 2019 was 3.8% compared to 5.6% for June 30, 2018, and 6.9% for June 30, 2017 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.
- 2. 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 as announcements of such reductions typically occur in mid-year, requiring City budget adjustments. 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.
- 3. Personnel Costs** - The City continues to evaluate 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 has a significant 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.
- 4. 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 realizes 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.
- 5. Exploration of new revenue opportunities** - With direction from City Council, staff will continue 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.

6. 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.

7. 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 continuing its partnership with CPEG in FY20 regarding small business development with the goal of creating opportunities for small business growth and development in the Uptown area and other areas of the City. The fourth year of a successful community business launch project recently resulted in helping the startup or expansion of a number of new businesses in Martinsville.

8. Job Creation - The City continues to partner with Henry County in economic development. Going into FY20, efforts will continue to retain current business and industry, provide an atmosphere conducive to expansion, as well as to attract new business and industry.

9. 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 is currently constructing a \$43.5 million 280,000 sf manufacturing facility. There continues to be much interest in both CCBC and the Patriot Centre.

10. 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 2020, City Council approved a General Fund Budget of \$32,379,019 with no changes in the basic tax rates and an increase in the monthly sewer bill of \$2.50.

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.

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Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position
At June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 6,114,295	\$ 10,885,075	\$ 16,999,370	\$ 1,991,581
Cash and cash equivalents - restricted	-	399,835	399,835	-
Receivables (net of allowance for uncollectibles):				
Property taxes	1,880,883	-	1,880,883	-
Accounts receivable	127,461	3,117,944	3,245,405	-
Inventory	2,780,563	1,279,864	4,060,427	-
Due from other governments	596,679	-	596,679	1,227,909
Total Current Assets	\$ 11,499,881	\$ 15,682,718	\$ 27,182,599	\$ 3,219,490
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	9,597,100	3,744,747	13,341,847	10,847,614
Equipment	3,075,403	2,541,906	5,617,309	872,112
Infrastructure	4,519,260	41,879,529	46,398,789	-
Total Net Capital Assets	\$ 21,570,857	\$ 48,849,806	\$ 70,420,663	\$ 11,766,898
Total Noncurrent Assets	\$ 21,570,857	\$ 48,849,806	\$ 70,420,663	\$ 11,766,898
Total Assets	\$ 33,070,738	\$ 64,532,524	\$ 97,603,262	\$ 14,986,388
DEFERRED OUTFLOWS OF RESOURCES:				
Items related to:				
Pension	\$ 1,884,854	\$ 380,962	\$ 2,265,816	\$ 2,351,617
OPEB	354,859	76,200	431,059	286,178
Total deferred outflows of resources	\$ 2,239,713	\$ 457,162	\$ 2,696,875	\$ 2,637,795
Total assets and deferred outflows of resources	\$ 35,310,451	\$ 64,989,686	\$ 100,300,137	\$ 17,624,183
LIABILITIES				
Current Liabilities:				
Accounts payable and other current liabilities	\$ 1,535,598	\$ 1,327,155	\$ 2,862,753	\$ 1,449,152
Accrued interest payable	217,156	75,961	293,117	-
Unearned revenues	-	-	-	12,141
Current portion of grant repayment liability	156,000	-	156,000	-
Current portion of long-term obligations	1,348,773	1,223,198	2,571,971	-
Total Current Liabilities	\$ 3,257,527	\$ 2,626,314	\$ 5,883,841	\$ 1,461,293
Noncurrent Liabilities:				
Noncurrent portion of grant repayment liability	\$ 468,000	\$ -	\$ 468,000	\$ -
Noncurrent portion of long-term obligations	29,196,430	30,813,694	60,010,124	21,918,256
Total Noncurrent Liabilities	\$ 29,664,430	\$ 30,813,694	\$ 60,478,124	\$ 21,918,256
Total Liabilities	\$ 32,921,957	\$ 33,440,008	\$ 66,361,965	\$ 23,379,549
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 58,823	\$ -	\$ 58,823	\$ -
Items related to:				
Pension	613,193	299,537	912,730	3,458,530
OPEB	111,674	24,042	135,716	246,000
Total deferred inflows of resources	\$ 783,690	\$ 323,579	\$ 1,107,269	\$ 3,704,530
NET POSITION				
Net investment in capital assets	\$ 10,741,090	\$ 24,696,125	\$ 35,437,215	\$ 11,766,898
Unrestricted	(9,136,286)	6,529,974	(2,606,312)	(21,226,794)
Total Net Position	\$ 1,604,804	\$ 31,226,099	\$ 32,830,903	\$ (9,459,896)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 35,310,451	\$ 64,989,686	\$ 100,300,137	\$ 17,624,183

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,431,098	\$ 52,714	\$ 233,651	\$ -
Judicial administration	2,262,276	209,082	828,856	-
Public safety	9,801,973	638,338	3,415,292	197,342
Public works	3,545,037	1,572,827	3,400,619	437,795
Health and welfare	1,114,250	-	373,462	-
Education	7,296,370	-	-	-
Parks, recreation, and cultural	855,335	3,825	32,786	-
Community development	3,073,604	-	43,759	120,000
Interest on long-term debt	126,708	-	-	-
Total governmental activities	\$ 31,506,651	\$ 2,476,786	\$ 8,328,425	\$ 755,137
Business-type activities:				
Electric	\$ 18,277,367	\$ 19,245,478	\$ -	\$ 1,000,000
Water	2,199,820	3,537,366	-	-
Sewer	4,011,522	4,314,029	-	-
Refuse collection / landfill	1,956,974	2,244,328	-	-
Total business-type activities	\$ 26,445,683	\$ 29,341,201	\$ -	\$ 1,000,000
Total primary government	\$ 57,952,334	\$ 31,817,987	\$ 8,328,425	\$ 1,755,137
COMPONENT UNIT:				
School Board	\$ 23,609,976	\$ 150,433	\$ 18,722,110	\$ -
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, as restated				
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:				
\$ (3,144,733)	\$ -	\$ (3,144,733)	\$ -	General government administration
(1,224,338)	-	(1,224,338)	-	Judicial administration
(5,551,001)	-	(5,551,001)	-	Public safety
1,866,204	-	1,866,204	-	Public works
(740,788)	-	(740,788)	-	Health and welfare
(7,296,370)	-	(7,296,370)	-	Education
(818,724)	-	(818,724)	-	Parks, recreation, and cultural
(2,909,845)	-	(2,909,845)	-	Community development
(126,708)	-	(126,708)	-	Interest on long-term debt
\$ (19,946,303)	\$ -	\$ (19,946,303)	\$ -	Total government activities
Business-type activities:				
\$ -	\$ 1,968,111	\$ 1,968,111	\$ -	Electric
-	1,337,546	1,337,546	-	Water
-	302,507	302,507	-	Sewer
-	287,354	287,354	-	Refuse collection / landfill
\$ -	\$ 3,895,518	\$ 3,895,518	\$ -	Total business-type activities
\$ (19,946,303)	\$ 3,895,518	\$ (16,050,785)	\$ -	Total primary government
COMPONENT UNIT:				
\$ -	\$ -	\$ -	\$ (4,737,433)	School Board
General revenues:				
\$ 9,728,127	\$ -	\$ 9,728,127	\$ -	General property taxes
2,039,498	-	2,039,498	-	Local sales tax
1,957,688	-	1,957,688	-	Business license tax
1,909,213	-	1,909,213	-	Meals tax
606,852	-	606,852	-	Consumer utility tax
1,041,265	-	1,041,265	-	Other local taxes
1,326,137	23,386	1,349,523	50,277	Unrestricted revenues from use of money and property
361,768	-	361,768	171,214	Miscellaneous
1,526,595	-	1,526,595	-	Grants and contributions not restricted to specific programs
-	-	-	6,144,512	City contribution to the school board, unrestricted
1,169,144	(1,169,144)	-	-	Transfers
\$ 21,666,287	\$ (1,145,758)	\$ 20,520,529	\$ 6,366,003	Total general revenues and transfers
\$ 1,719,984	\$ 2,749,760	\$ 4,469,744	\$ 1,628,570	Change in net position
(115,180)	28,476,339	28,361,159	(11,088,466)	Net position - beginning, as restated
\$ 1,604,804	\$ 31,226,099	\$ 32,830,903	\$ (9,459,896)	Net position - ending

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Fund Financial Statements

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Balance Sheet - Governmental Funds
At June 30, 2019

	General	Meals Tax Fund	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 5,497,630	\$ 475,361	\$ 141,304	\$ 6,114,295
Receivables (net of allowance for uncollectibles):				
Taxes, including penalties	1,880,883	-	-	1,880,883
Accounts	127,461	-	-	127,461
Inventory	1,198,249	-	-	1,198,249
Due from other governments	589,811	-	6,868	596,679
Total assets	<u>\$ 9,294,034</u>	<u>\$ 475,361</u>	<u>\$ 148,172</u>	<u>\$ 9,917,567</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 1,517,271	\$ -	\$ 18,327	\$ 1,535,598
Total liabilities	<u>\$ 1,517,271</u>	<u>\$ -</u>	<u>\$ 18,327</u>	<u>\$ 1,535,598</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 1,534,609	\$ -	\$ -	\$ 1,534,609
FUND BALANCES				
Nonspendable:				
Inventory	\$ 1,198,249	\$ -	\$ -	\$ 1,198,249
Committed:				
General government administration	22,775	-	-	22,775
Judicial administration	8,798	-	-	8,798
Public safety	315,619	-	-	315,619
Public works	119,871	-	-	119,871
Education	159,233	-	-	159,233
Community development	86,160	-	-	86,160
Assigned:				
Capital reserve fund	-	-	59,500	59,500
Special revenue	-	-	70,345	70,345
Meals tax fund	-	475,361	-	475,361
Unassigned	4,331,449	-	-	4,331,449
Total fund balances	<u>\$ 6,242,154</u>	<u>\$ 475,361</u>	<u>\$ 129,845</u>	<u>\$ 6,847,360</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,294,034</u>	<u>\$ 475,361</u>	<u>\$ 148,172</u>	<u>\$ 9,917,567</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	\$ 6,847,360
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	21,570,857
Inventory of land and buildings held for resale	1,582,314
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Unavailable revenue - property taxes	1,475,786
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	\$ 1,884,854
OPEB items	<u>354,859</u>
	2,239,713
Deferred inflows related to:	
Pension items	\$ (613,193)
OPEB items	<u>(111,674)</u>
	(724,867)
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.	(31,169,203)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(217,156)</u>
Net position of General Government Activities	<u>\$ 1,604,804</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, 2019

	General	Meals Tax Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes	\$ 9,136,565	\$ -	\$ -	\$ 9,136,565
Other local taxes	5,645,303	1,909,213	-	7,554,516
Permits, privilege fees and regulatory licenses	93,318	-	-	93,318
Fines and forfeitures	139,591	-	-	139,591
Revenue from use of money and property	1,289,263	-	43,416	1,332,679
Charges for services	2,243,877	-	-	2,243,877
Miscellaneous	361,270	-	498	361,768
Recovered costs	2,108,652	-	-	2,108,652
Intergovernmental:				
Commonwealth	9,894,169	-	120,000	10,014,169
Federal	356,887	370,745	239,101	966,733
Total revenues	\$ 31,268,895	\$ 2,279,958	\$ 403,015	\$ 33,951,868
Expenditures:				
Current:				
General government administration	\$ 4,141,693	\$ 52,640	\$ 391,456	\$ 4,585,789
Judicial administration	2,401,821	-	-	2,401,821
Public safety	10,236,313	-	934,305	11,170,618
Public works	4,837,808	-	113,527	4,951,335
Health and welfare	1,229,160	-	-	1,229,160
Education	6,164,347	-	-	6,164,347
Parks, recreation, and cultural	819,602	-	33,200	852,802
Community development	3,067,660	-	173,147	3,240,807
Debt service:				
Principal retirement	-	1,036,124	229,600	1,265,724
Interest and other fiscal charges	-	485,792	26,816	512,608
Total expenditures	\$ 32,898,404	\$ 1,574,556	\$ 1,902,051	\$ 36,375,011
Excess (deficiency) of revenues over (under) expenditures	\$ (1,629,509)	\$ 705,402	\$ (1,499,036)	\$ (2,423,143)
Other financing sources (uses):				
Insurance recoveries	\$ 171,197	\$ -	\$ -	\$ 171,197
Transfers in	1,038,945	-	896,423	1,935,368
Transfers (out)	(52,802)	(713,422)	-	(766,224)
Total other financing sources (uses)	\$ 1,157,340	\$ (713,422)	\$ 896,423	\$ 1,340,341
Changes in fund balances	\$ (472,169)	\$ (8,020)	\$ (602,613)	\$ (1,082,802)
Fund balances at beginning of year	6,714,323	483,381	732,458	7,930,162
Fund balances at end of year	\$ 6,242,154	\$ 475,361	\$ 129,845	\$ 6,847,360

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, 2019

		<u>Primary Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds	\$	(1,082,802)
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	\$ 1,150,975	
Depreciation expense	<u>(1,105,571)</u>	45,404
Inventory of land and buildings held for resale sold during the year		(6,542)
Transfer of joint tenancy assets from Primary Government to the Component Unit		(887,124)
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	\$ 591,562	
Change in deferred inflows related to the measurement of:		
Pension items	1,293,471	
OPEB items	<u>2,531</u>	1,887,564
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:		
Principal retired on debt on state literary fund loans	\$ 375,000	
Principal retired on general obligation bonds	378,600	
Principal retired on VPA subsidy bonds	512,124	
Repayment of grant funds	<u>156,000</u>	1,421,724
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	\$ (37,894)	
Change in deferred outflows related to:		
Pension items	176,088	
OPEB items	301,698	
Change in net pension liability	113,114	
Change in net OPEB liability - group life insurance	3,030	
Change in total Pay-as-you-Go OPEB liability	(229,430)	
Change in accrued interest payable	<u>15,154</u>	341,760
Change in net position of governmental activities	\$	<u><u>1,719,984</u></u>

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

Proprietary Funds
Statement of Net Position
At June 30, 2019

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 1,238,533	\$ 2,699,239	\$ 1,911,806	\$ 5,035,497	\$ 10,885,075
Cash and cash equivalents - restricted	352,580	47,255	-	-	399,835
Receivables (net of allowance for uncollectibles):	2,133,265	417,541	351,121	216,017	3,117,944
Inventory	1,099,558	180,306	-	-	1,279,864
Total current assets	\$ 4,823,936	\$ 3,344,341	\$ 2,262,927	\$ 5,251,514	\$ 15,682,718
Noncurrent Assets					
Capital assets:					
Land	\$ -	\$ 658,224	\$ 25,400	\$ -	\$ 683,624
Buildings and improvements	586,744	1,993,728	1,230,905	3,974,782	7,786,159
Equipment	3,111,967	1,776,824	2,858,304	1,939,708	9,686,803
Infrastructure	37,309,737	15,820,902	35,179,085	-	88,309,724
Accumulated depreciation	(24,950,608)	(12,378,859)	(17,451,030)	(2,836,007)	(57,616,504)
Total capital assets (net of accumulated depreciation)	\$ 16,057,840	\$ 7,870,819	\$ 21,842,664	\$ 3,078,483	\$ 48,849,806
Total assets	\$ 20,881,776	\$ 11,215,160	\$ 24,105,591	\$ 8,329,997	\$ 64,532,524
Deferred Outflows of Resources					
Items related to:					
Pension	\$ 103,521	\$ 69,868	\$ 154,039	\$ 53,534	\$ 380,962
OPEB	21,764	14,480	32,325	7,631	76,200
Total deferred outflows of resources	\$ 125,285	\$ 84,348	\$ 186,364	\$ 61,165	\$ 457,162
Total assets and deferred outflows of resources	\$ 21,007,061	\$ 11,299,508	\$ 24,291,955	\$ 8,391,162	\$ 64,989,686
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 251,321	\$ 7,387	\$ 560,291	\$ 108,321	\$ 927,320
Customers' deposits	352,580	47,255	-	-	399,835
Interest payable	43,202	24,342	386	8,031	75,961
Current portion of long-term obligations	270,369	174,786	658,508	119,535	1,223,198
Total current liabilities	\$ 917,472	\$ 253,770	\$ 1,219,185	\$ 235,887	\$ 2,626,314
Noncurrent liabilities:					
Noncurrent portion of long-term obligations	5,220,666	3,055,949	17,991,520	4,545,559	30,813,694
Total liabilities	\$ 6,138,138	\$ 3,309,719	\$ 19,210,705	\$ 4,781,446	\$ 33,440,008
Deferred Inflows of Resources					
Items related to:					
Pension	\$ 100,403	\$ 54,789	\$ 124,313	\$ 20,032	\$ 299,537
OPEB	7,176	4,482	9,989	2,395	24,042
Total deferred inflows of resources:	\$ 107,579	\$ 59,271	\$ 134,302	\$ 22,427	\$ 323,579
NET POSITION					
Net investment in capital assets	\$ 11,799,840	\$ 5,472,819	\$ 5,001,981	\$ 2,421,485	\$ 24,696,125
Unrestricted	2,961,504	2,457,699	(55,033)	1,165,804	6,529,974
Total net position	\$ 14,761,344	\$ 7,930,518	\$ 4,946,948	\$ 3,587,289	\$ 31,226,099
Total liabilities, deferred inflows of resources and net position	\$ 21,007,061	\$ 11,299,508	\$ 24,291,955	\$ 8,391,162	\$ 64,989,686

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, 2019

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Operating revenues:					
Charges for services	\$ 19,190,127	\$ 3,314,023	\$ 4,314,029	\$ 1,646,596	\$ 28,464,775
Miscellaneous	<u>55,351</u>	<u>223,343</u>	<u>-</u>	<u>597,732</u>	<u>876,426</u>
Total operating revenues	<u>\$ 19,245,478</u>	<u>\$ 3,537,366</u>	<u>\$ 4,314,029</u>	<u>\$ 2,244,328</u>	<u>\$ 29,341,201</u>
Operating expenses:					
Personnel services	\$ 711,269	\$ 536,935	\$ 992,512	\$ 245,848	\$ 2,486,564
Fringe benefits	325,518	86,525	472,627	141,256	1,025,926
Contractual services	303,975	262,742	198,537	156,037	921,291
Other charges	16,312,941	939,633	1,791,744	1,194,489	20,238,807
Depreciation	<u>515,064</u>	<u>312,283</u>	<u>554,914</u>	<u>200,200</u>	<u>1,582,461</u>
Total operating expenses	<u>\$ 18,168,767</u>	<u>\$ 2,138,118</u>	<u>\$ 4,010,334</u>	<u>\$ 1,937,830</u>	<u>\$ 26,255,049</u>
Operating income (loss)	<u>\$ 1,076,711</u>	<u>\$ 1,399,248</u>	<u>\$ 303,695</u>	<u>\$ 306,498</u>	<u>\$ 3,086,152</u>
Nonoperating revenues (expenses):					
Federal grants	\$ -	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
Interest income	-	-	23,386	-	23,386
Interest expense	<u>(108,600)</u>	<u>(61,702)</u>	<u>(1,188)</u>	<u>(19,144)</u>	<u>(190,634)</u>
Total nonoperating revenues (expenses)	<u>\$ (108,600)</u>	<u>\$ (61,702)</u>	<u>\$ 1,022,198</u>	<u>\$ (19,144)</u>	<u>\$ 832,752</u>
Income (loss) before transfers	<u>\$ 968,111</u>	<u>\$ 1,337,546</u>	<u>\$ 1,325,893</u>	<u>\$ 287,354</u>	<u>\$ 3,918,904</u>
Transfers:					
Transfers (out)	<u>-</u>	<u>(1,169,144)</u>	<u>-</u>	<u>-</u>	<u>(1,169,144)</u>
Change in net position	<u>\$ 968,111</u>	<u>\$ 168,402</u>	<u>\$ 1,325,893</u>	<u>\$ 287,354</u>	<u>\$ 2,749,760</u>
Net position at beginning of year	<u>13,793,233</u>	<u>7,762,116</u>	<u>3,621,055</u>	<u>3,299,935</u>	<u>28,476,339</u>
Net position at end of year	<u>\$ 14,761,344</u>	<u>\$ 7,930,518</u>	<u>\$ 4,946,948</u>	<u>\$ 3,587,289</u>	<u>\$ 31,226,099</u>

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, 2019

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Cash Flows From Operating Activities:					
Receipts from customers and users	\$ 19,700,666	\$ 3,574,428	\$ 4,367,597	\$ 2,270,556	\$ 29,913,247
Payments to suppliers and other operating expenses	(16,507,597)	(1,268,932)	(2,222,047)	(1,217,030)	(21,215,606)
Payments to employees (including fringe benefits)	(923,626)	(729,410)	(1,352,559)	(346,756)	(3,352,351)
Net cash provided by (used for) operating activities	\$ 2,269,443	\$ 1,576,086	\$ 792,991	\$ 706,770	\$ 5,345,290
Cash Flows From Capital and Related Financing Activities:					
Purchase and construction of capital assets	\$ (876,746)	\$ (371,683)	\$ (5,788,954)	\$ (1,056,918)	\$ (8,094,301)
Issuance of water and sewer revenue bonds	-	-	4,491,274	-	4,491,274
Federal grants	-	-	1,000,000	-	1,000,000
Retirement of general obligation bonds	(19,000)	-	(16,873)	(115,127)	(151,000)
Retirement of revenue bonds	-	-	(495,740)	-	(495,740)
Retirement of capital lease obligations	(241,000)	(167,000)	-	-	(408,000)
Interest expense	(111,221)	(63,356)	(1,375)	(20,474)	(196,426)
Net cash provided by (used for) capital and related financing activities	\$ (1,247,967)	\$ (602,039)	\$ (811,668)	\$ (1,192,519)	\$ (3,854,193)
Cash Flows From Noncapital Financing Activities:					
Transfers	\$ -	\$ (1,169,144)	\$ -	\$ -	\$ (1,169,144)
Net cash provided by (used for) noncapital financing activities	\$ -	\$ (1,169,144)	\$ -	\$ -	\$ (1,169,144)
Cash Flows From Investing Activities:					
Interest income	\$ -	\$ -	\$ 23,386	\$ -	\$ 23,386
Net Increase (decrease) in cash and cash equivalents	\$ 1,021,476	\$ (195,097)	\$ 4,709	\$ (485,749)	\$ 345,339
Cash and cash equivalents at beginning of year	569,637	2,941,591	1,907,096	5,521,246	10,939,570
Cash and cash equivalents at end of year	\$ 1,591,113	\$ 2,746,494	\$ 1,911,805	\$ 5,035,497	\$ 11,284,909
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ 1,076,711	\$ 1,399,248	\$ 303,695	\$ 306,498	\$ 3,086,152
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	\$ 515,064	\$ 312,283	\$ 554,914	\$ 200,200	\$ 1,582,461
Changes in operating activities:					
(Increase) decrease in:					
Accounts receivable	381,688	32,167	53,568	26,228	493,651
Inventory	(63,492)	(1,061)	-	-	(64,553)
Increase (decrease) in:					
Accounts payable	172,811	(65,496)	(231,766)	52,926	(71,525)
Deferred outflows of resources	157,416	(6,944)	191,006	38,276	379,754
Deferred inflows of resources	1,273	(43,515)	(22,470)	(12,195)	(76,907)
Net pension liability	(70,296)	(53,308)	(85,488)	13,779	(195,313)
Net OPEB liability - group life insurance	(297)	(3,147)	(5,073)	748	(7,769)
Total Pay-as-you-Go OPEB liability	24,504	16,912	28,778	2,377	72,571
Compensated absences	561	(15,948)	5,827	(2,637)	(12,197)
Landfill closure and post-closure liability	-	-	-	80,570	80,570
Customer deposits	73,500	4,895	-	-	78,395
Total adjustments	\$ 1,192,732	\$ 176,838	\$ 489,296	\$ 400,272	\$ 2,259,138
Net cash provided by (used for) operating activities	\$ 2,269,443	\$ 1,576,086	\$ 792,991	\$ 706,770	\$ 5,345,290

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

Statement of Fiduciary Net Position --
Agency Funds
At June 30, 2019

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 1,566,408
Due from other governments	<u>42,059</u>
Total assets	<u>\$ 1,608,467</u>
LIABILITIES	
Accounts payable	\$ 94,737
Amounts held for others	<u>1,513,730</u>
Total liabilities	<u>\$ 1,608,467</u>

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, 2019

Note 1—Summary of Significant Accounting Policies:

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 - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government 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, 2019 (Continued)

Note 1—Summary of Significant Accounting Policies: (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, 2019 (Continued)

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

B. Individual Component Unit Disclosures

Blended Component Unit. The City has no blended component units at June 30, 2019.

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, 2019.

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, 2019 (Continued)

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

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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, 2019 (Continued)

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

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

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, 2019 (Continued)

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

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 \$1,761,351 at June 30, 2019, and is composed of the following:

General Fund

Allowance for uncollectible property taxes	\$ <u>361,076</u>
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Enterprise Funds

Allowance for uncollectible accounts:

Electric Fund	\$ 973,043
Water Fund	168,876
Sewer Fund	159,015
Refuse Collection/Landfill Fund	<u>99,341</u>
Total allowance for uncollectible accounts – Enterprise funds	\$ <u>1,400,275</u>
Total allowance for uncollectible accounts	\$ <u><u>1,761,351</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 (50% each date)	December 5th
Lien Date	January 1	January 1

The City bills and collects its own property taxes.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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.

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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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.

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.

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

M. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program 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 Program 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 Program 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 Program 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.

Teacher Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program 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 Program 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 Program; and the additions to/deductions from the VRS Teacher Employee HIC Program'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.

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

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.

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 OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Q. Fund Equity: (Continued)

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

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. 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 also included in this component of net position.

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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.

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. Adoption of Accounting Principles

The City implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

W. 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, 2018.

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 December 15, 2019.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

W. Upcoming Pronouncements: (Continued)

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, 2019.

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, 2018.

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, 2020.

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

Note 2—Stewardship, Compliance, and Accounting:

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.
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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 2—Stewardship, Compliance, and Accounting:

8. All budgetary data presented in the accompanying financial statements is the original to the current comparison of the final budget and actual results.

Expenditures and Appropriations

Expenditures exceeded appropriations in the following functions and funds at June 30, 2019:

<u>Fund / Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess of Expenditures Over Appropriations</u>
General Fund:			
Health and Welfare	\$ 853,625	\$ 1,229,160	\$ (375,535)
School Operating Fund:			
Pupil Transportation	1,078,292	1,107,515	(29,223)
Technology	1,561,346	1,565,471	(4,125)
School Grants Fund	1,945,386	2,079,305	(133,919)
	<u>\$ 5,438,649</u>	<u>\$ 5,981,451</u>	<u>\$ (542,802)</u>

Note 3—Deposits and Investments:

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, 2019 consist of the following:

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Total</u>
Proprietary Funds:			
Utility customer deposits	\$ 352,580	\$ 47,255	\$ 399,835
Total	<u>\$ 352,580</u>	<u>\$ 47,255</u>	<u>\$ 399,835</u>

The component unit school board is part of the City's pooled cash and has a net balance in the amount of \$1,991,581 at June 30, 2019.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 4—Due from Other Governments:

At June 30, 2019 the City has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	\$ 160,955	\$ -
State sales tax	-	194,719
State recordation tax	3,143	-
Constitutional officer reimbursements	253,273	-
Children's services	91,872	-
Communication taxes	63,983	-
Auto rental tax	7,605	-
Erate	-	492,372
Federal Government:		
Organized crime/drug enf task force	2,969	-
CDBG grant	6,868	-
DMV transportation safety	4,440	-
Miscellaneous grants	1,571	-
School fund grants	-	525,250
Other Governments		
Transportation of pupils	-	15,568
Total due from other governments	\$ <u>596,679</u>	\$ <u>1,227,909</u>

Note 5—Inventory:

At June 30, 2019 the City has inventory recorded in the various funds as follows:

	Governmental Activities	Business-type Activities
Expendable supplies	\$ 1,198,249	\$ 1,279,864
Land and building inventory held for resale:		
77 Commercial & residential lots held for resale	1,392,294	-
5 Commercial & residential buildings held for resale	190,020	-
Totals	\$ <u>2,780,563</u>	\$ <u>1,279,864</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements As of June 30, 2019 (Continued)

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

Primary Government:

Governmental Activities:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Capital assets, not being depreciated:				
Land	\$ 4,379,094	\$ -	\$ -	\$ 4,379,094
Total capital assets not being depreciated	<u>\$ 4,379,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,379,094</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 7,931,855	\$ -	\$ -	\$ 7,931,855
Equipment	10,140,028	1,150,975	212,256	11,078,747
Infrastructure	34,731,414	-	-	34,731,414
Jointly owned assets	10,683,091	-	887,124	9,795,967
Total capital assets being depreciated	<u>\$ 63,486,388</u>	<u>\$ 1,150,975</u>	<u>\$ 1,099,380</u>	<u>\$ 63,537,983</u>
Accumulated depreciation:				
Buildings and improvements	\$ 4,394,214	\$ 201,215	\$ -	\$ 4,595,429
Equipment	7,723,296	492,303	212,256	8,003,343
Infrastructure	30,045,001	167,155	-	30,212,156
Jointly owned assets	3,290,393	244,899	-	3,535,292
Total accumulated depreciation	<u>\$ 45,452,904</u>	<u>\$ 1,105,572</u>	<u>\$ 212,256</u>	<u>\$ 46,346,220</u>
Total capital assets being depreciated, net	<u>\$ 18,033,484</u>	<u>\$ 45,403</u>	<u>\$ 887,124</u>	<u>\$ 17,191,763</u>
Governmental activities capital assets, net	<u>\$ 22,412,578</u>	<u>\$ 45,403</u>	<u>\$ 887,124</u>	<u>\$ 21,570,857</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 6—Capital Assets: (Continued)

Primary Government:**Business-type Activities:**

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Electric Fund:				
Capital assets being depreciated:				
Buildings and improvements	\$ 586,744	\$ -	\$ -	\$ 586,744
Equipment	2,825,212	286,755	-	3,111,967
Infrastructure	<u>36,719,746</u>	<u>589,991</u>	<u>-</u>	<u>37,309,737</u>
 Total capital assets being depreciated	 \$ <u>40,131,702</u>	 \$ <u>876,746</u>	 \$ <u>-</u>	 \$ <u>41,008,448</u>
Accumulated depreciation:				
Buildings and improvements	\$ 586,744	\$ -	\$ -	\$ 586,744
Equipment	2,454,398	95,836	-	2,550,234
Infrastructure	<u>21,394,402</u>	<u>419,228</u>	<u>-</u>	<u>21,813,630</u>
 Total accumulated depreciation	 \$ <u>24,435,544</u>	 \$ <u>515,064</u>	 \$ <u>-</u>	 \$ <u>24,950,608</u>
 Total capital assets being depreciated, net	 \$ <u>15,696,158</u>	 \$ <u>361,682</u>	 \$ <u>-</u>	 \$ <u>16,057,840</u>
 Electric fund capital assets, net	 \$ <u><u>15,696,158</u></u>	 \$ <u><u>361,682</u></u>	 \$ <u><u>-</u></u>	 \$ <u><u>16,057,840</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Water Fund:				
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	1,760,045	24,906	8,127	1,776,824
Infrastructure	15,474,125	346,777	-	15,820,902
Total capital assets being depreciated	\$ 19,227,898	\$ 371,683	\$ 8,127	\$ 19,591,454
Accumulated depreciation:				
Buildings and improvements	\$ 1,254,638	\$ 38,045	\$ -	\$ 1,292,683
Equipment	1,228,599	58,123	8,127	1,278,595
Infrastructure	9,591,466	216,115	-	9,807,581
Total accumulated depreciation	\$ 12,074,703	\$ 312,283	\$ 8,127	\$ 12,378,859
Total capital assets being depreciated, net	\$ 7,153,195	\$ 59,400	\$ -	\$ 7,212,595
Water fund capital assets, net	\$ 7,811,419	\$ 59,400	\$ -	\$ 7,870,819

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Sewer Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 25,400	\$ -	\$ -	\$ 25,400
Construction in progress	<u>5,994,446</u>	<u>5,431,781</u>	<u>11,426,227</u>	<u>-</u>
 Total capital assets not being depreciated	 <u>\$ 6,019,846</u>	 <u>\$ 5,431,781</u>	 <u>\$ 11,426,227</u>	 <u>\$ 25,400</u>
 Capital assets being depreciated:				
Buildings and improvements	\$ 1,230,905	\$ -	\$ -	\$ 1,230,905
Equipment	2,507,130	357,174	6,000	2,858,304
Infrastructure	<u>23,752,859</u>	<u>11,426,226</u>	<u>-</u>	<u>35,179,085</u>
 Total capital assets being depreciated	 <u>\$ 27,490,894</u>	 <u>\$ 11,783,400</u>	 <u>\$ 6,000</u>	 <u>\$ 39,268,294</u>
 Accumulated depreciation:				
Buildings and improvements	\$ 934,455	\$ 18,222	\$ -	\$ 952,677
Equipment	1,601,923	93,446	6,000	1,689,369
Infrastructure	<u>14,365,738</u>	<u>443,246</u>	<u>-</u>	<u>14,808,984</u>
 Total accumulated depreciation	 <u>\$ 16,902,116</u>	 <u>\$ 554,914</u>	 <u>\$ 6,000</u>	 <u>\$ 17,451,030</u>
 Total capital assets being depreciated, net	 <u>\$ 10,588,778</u>	 <u>\$ 11,228,486</u>	 <u>\$ -</u>	 <u>\$ 21,817,264</u>
 Sewer fund capital asset, net	 <u><u>\$ 16,608,624</u></u>	 <u><u>\$ 16,660,267</u></u>	 <u><u>\$ 11,426,227</u></u>	 <u><u>\$ 21,842,664</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 6—Capital Assets: (Continued)

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Refuse Collection/Landfill Fund:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,967,861	\$ 1,006,921	\$ -	\$ 3,974,782
Equipment	<u>1,889,711</u>	<u>49,997</u>	<u>-</u>	<u>1,939,708</u>
Total capital assets being depreciated	\$ <u>4,857,572</u>	\$ <u>1,056,918</u>	\$ <u>-</u>	\$ <u>5,914,490</u>
Accumulated depreciation:				
Buildings and improvements	\$ 1,057,582	\$ 151,726	\$ -	\$ 1,209,308
Equipment	<u>1,578,225</u>	<u>48,474</u>	<u>-</u>	<u>1,626,699</u>
Total accumulated depreciation	\$ <u>2,635,807</u>	\$ <u>200,200</u>	\$ <u>-</u>	\$ <u>2,836,007</u>
Total capital assets being depreciated, net	\$ <u>2,221,765</u>	\$ <u>856,718</u>	\$ <u>-</u>	\$ <u>3,078,483</u>
Refuse collection/landfill fund capital assets, net	\$ <u><u>2,221,765</u></u>	\$ <u><u>856,718</u></u>	\$ <u><u>-</u></u>	\$ <u><u>3,078,483</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Total Business-type Activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 683,624	\$ -	\$ -	\$ 683,624
Construction in progress	<u>5,994,446</u>	<u>5,431,781</u>	<u>11,426,227</u>	<u>-</u>
Total capital assets not being depreciated	\$ <u>6,678,070</u>	\$ <u>5,431,781</u>	\$ <u>11,426,227</u>	\$ <u>683,624</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,779,238	\$ 1,006,921	\$ -	\$ 7,786,159
Equipment	8,982,098	718,832	14,127	9,686,803
Infrastructure	<u>75,946,730</u>	<u>12,362,994</u>	<u>-</u>	<u>88,309,724</u>
Total capital assets being depreciated	\$ <u>91,708,066</u>	\$ <u>14,088,747</u>	\$ <u>14,127</u>	\$ <u>105,782,686</u>
Accumulated depreciation:				
Buildings and improvements	\$ 3,833,419	\$ 207,993	\$ -	\$ 4,041,412
Equipment	6,863,145	295,879	14,127	7,144,897
Infrastructure	<u>45,351,606</u>	<u>1,078,589</u>	<u>-</u>	<u>46,430,195</u>
Total accumulated depreciation	\$ <u>56,048,170</u>	\$ <u>1,582,461</u>	\$ <u>14,127</u>	\$ <u>57,616,504</u>
Total capital assets being depreciated, net	\$ <u>35,659,896</u>	\$ <u>12,506,286</u>	\$ <u>-</u>	\$ <u>48,166,182</u>
Total Business-type capital assets, net	\$ <u><u>42,337,966</u></u>	\$ <u><u>17,938,067</u></u>	\$ <u><u>11,426,227</u></u>	\$ <u><u>48,849,806</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 6—Capital Assets: (Continued)

Discretely Presented Component Unit—School Board:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Discretely Presented Component Unit-School Board:				
Capital assets, not being depreciated:				
Land	\$ 47,172	\$ -	\$ -	\$ 47,172
Capital assets being depreciated:				
Buildings and improvements	\$ 8,096,308	\$ -	\$ -	\$ 8,096,308
Equipment	3,474,112	97,500	-	3,571,612
Jointly owned assets	13,053,667	887,124	-	13,940,791
Total capital assets being depreciated	\$ 24,624,087	\$ 984,624	\$ -	\$ 25,608,711
Accumulated depreciation:				
Buildings and improvements	\$ 6,141,441	\$ 111,037	\$ -	\$ 6,252,478
Equipment	2,515,854	183,646	-	2,699,500
Jointly owned assets	4,588,487	348,520	-	4,937,007
Total accumulated depreciation	\$ 13,245,782	\$ 643,203	\$ -	\$ 13,888,985
Total capital assets being depreciated, net	\$ 11,378,305	\$ 341,421	\$ -	\$ 11,719,726
School Board capital assets, net	\$ 11,425,477	\$ 341,421	\$ -	\$ 11,766,898

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 6—Capital Assets: (Continued)

The following is a summary of depreciation expense for the year ended June 30, 2019:

Governmental activities:

General government administration	\$	111,767
Judicial administration		11,112
Public safety		320,809
Public works		279,374
Health and welfare		9,596
Education		244,899
Parks, recreation and cultural		59,128
Community development		<u>68,887</u>

Total Governmental activities	\$	<u><u>1,105,572</u></u>
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Business-type activities:

Electric	\$	515,064
Water		312,283
Sewer		554,914
Refuse collection / landfill		<u>200,200</u>

Total Business-type activities	\$	<u><u>1,582,461</u></u>
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Component Unit School Board	\$	<u><u>294,683</u></u> *
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* Note accumulated depreciation transferred from the Primary Government to the Component Unit School Board on Jointly owned assets totals \$348,520 for the year ending June 30, 2019 when added to depreciation expense above totals \$643,204 total depreciation per the previous page.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 7—Interfund Transfers/Obligations:

Interfund transfers for the year ended June 30, 2019, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Activities:		
General Fund	\$ 1,038,945	\$ 52,802
Meals tax	-	713,422
Nonmajor governmental funds:		
Capital reserve	896,423	-
Proprietary Funds:		
Water	-	1,169,144
Total	\$ <u>1,935,368</u>	\$ <u>1,935,368</u>

Interfund receivables and payable balances relative to working capital loans at June 30, 2019 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, 2019 (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, 2019:

	<u>Balance July 1, 2018</u>	<u>Issuances/ Additions</u>	<u>Retirements/ Deletions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities Obligations:					
Incurred by City:					
Direct borrowings and placements:					
General obligation bonds	\$ 1,412,400	\$ -	\$ 378,600	\$ 1,033,800	\$ 386,800
Compensated absences	547,444	109,489	71,595	585,338	58,534
Net pension liability	15,491,248	6,454,204	6,567,318	15,378,134	-
Net OPEB liability - group life insurance	822,724	162,580	165,610	819,694	-
Total OPEB liability - Pay-as-you-Go	<u>2,702,840</u>	<u>557,423</u>	<u>327,993</u>	<u>2,932,270</u>	<u>-</u>
Total incurred by City	<u>\$ 20,976,656</u>	<u>\$ 7,283,696</u>	<u>\$ 7,511,116</u>	<u>\$ 20,749,236</u>	<u>\$ 445,334</u>
Incurred by School Board:					
Direct borrowings and placements:					
State Literary Fund Loans	\$ 1,125,000	\$ -	\$ 375,000	\$ 750,000	\$ 375,000
VPA subsidy bonds	<u>9,558,091</u>	<u>-</u>	<u>512,124</u>	<u>9,045,967</u>	<u>528,439</u>
Total incurred by School Board	<u>\$ 10,683,091</u>	<u>\$ -</u>	<u>\$ 887,124</u>	<u>\$ 9,795,967</u>	<u>\$ 903,439</u>
Total Governmental Activities Obligations	<u>\$ 31,659,747</u>	<u>\$ 7,283,696</u>	<u>\$ 8,398,240</u>	<u>\$ 30,545,203</u>	<u>\$ 1,348,773</u>
Business-type Activities Obligations:					
Direct borrowings and placements:					
General obligation bonds	\$ 863,000	\$ -	\$ 151,000	\$ 712,000	\$ 155,000
Revenue bonds	12,810,146	4,491,274	495,740	16,805,680	634,336
Capital lease	7,044,000	-	408,000	6,636,000	416,000
Compensated absences	190,818	38,164	50,363	178,619	17,862
Net pension liability	3,464,093	1,346,742	1,542,052	3,268,783	-
Net OPEB liability - group life insurance	184,255	34,534	42,303	176,486	-
Total OPEB liability - Pay-as-you-Go	603,160	141,780	69,210	675,730	-
Landfill closure and post-closure costs	<u>3,503,024</u>	<u>80,570</u>	<u>-</u>	<u>3,583,594</u>	<u>-</u>
Total Business-type Activities Obligations	<u>\$ 28,662,496</u>	<u>\$ 6,133,064</u>	<u>\$ 2,758,668</u>	<u>\$ 32,036,892</u>	<u>\$ 1,223,198</u>
Total Primary Government	<u>\$ 60,322,243</u>	<u>\$ 13,416,760</u>	<u>\$ 11,156,908</u>	<u>\$ 62,582,095</u>	<u>\$ 2,571,971</u>

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, 2019 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	Governmental Activities Obligations		Business-type Activities Obligations					
			Direct Borrowings and Direct Placements					
	General		General		Revenue Bonds		Capital Lease	
	Obligation Bonds		Obligation Bonds		Principal	Interest	Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 386,800	\$ 23,110	\$ 155,000	\$ 18,499	\$ 634,336	\$ -	\$ 416,000	\$ 163,910
2021	85,100	17,793	139,000	14,669	634,336	-	445,000	153,634
2022	87,400	15,452	41,000	10,931	634,336	-	504,000	142,643
2023	89,800	13,049	43,000	9,776	634,336	-	515,000	130,194
2024	92,300	10,579	44,000	8,580	634,336	-	522,000	117,473
2025	94,800	8,041	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	-	-	-	-	277,190	-	-	-
Total	\$ 1,033,800	\$ 96,211	\$ 712,000	\$ 87,041	\$ 17,225,689	\$ -	\$ 6,636,000	\$ 1,159,274

*

*This is the full amortization schedule for revenue bonds -- at June 30, 2019 a total of \$16,805,680 was outstanding.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Year Ending June 30,	Direct Borrowings and Direct Placements			
	School Board Obligations			
	State Literary Fund Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 375,000	\$ 22,500	\$ 528,439	\$ 442,528
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>750,000</u>	\$ <u>33,750</u>	\$ <u>9,045,967</u>	\$ <u>4,779,414</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements As of June 30, 2019 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Incurred by City:

Direct Borrowings and Placements:

General Obligation Bonds:

\$1,752,167 general obligation refunding bonds series 2014A bonds maturing in various annual installments of \$290,000 to \$304,398 through July 15, 2019, interest payable semi-annually at 2.37% \$ 304,000

\$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% 729,800

Total general obligations bonds \$ 1,033,800

Compensated absences \$ 585,338

Net pension liability \$ 15,378,134

Net OPEB liability - group life insurance \$ 819,694

Total Pay-as-you-Go OPEB liability \$ 2,932,270

Total Incurred by City \$ 20,749,236

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% \$ 750,000

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% \$ 992,210

\$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 8,053,757

Total general obligation bonds \$ 9,045,967

Total Incurred by the School Board \$ 9,795,967

Total Governmental Activities Obligations \$ 30,545,203

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements As of June 30, 2019 (Continued)

Note 8—Long-Term Obligations: (Continued)

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. \$ 9,464,285

\$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. 7,341,395

Total revenue bonds \$ 16,805,680

General Obligation Bonds:

\$112,833 general obligation refunding bonds series 2014A bonds, (acquired bucket truck for Electric) maturing in various annual installments of \$19,000 to \$20,000 through July 15, 2019, interest payable semi-annually at 2.37% \$ 20,000

\$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% 497,000

\$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% 195,000

Total general obligation bonds \$ 712,000

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% \$ 6,636,000

Compensated absences \$ 178,619

Net pension liability \$ 3,268,783

Net OPEB liability - group life insurance \$ 176,486

Total Pay-as-you-Go OPEB liability \$ 675,730

Landfill closure and postclosure costs \$ 3,583,594

Total Business-type Activities Obligations \$ 32,036,892

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (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 \$16,805,680 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, 2019:

	Beginning Balance July 1, 2018	Additions	Deletions	Ending Balance June 30, 2019	Amounts Due Within One Year
Net pension liability - nonprofessional	\$ 1,370,767	\$ 405,173	\$ 342,684	\$ 1,433,256	-
Net pension liability - professional	18,117,000	4,872,000	6,010,000	16,979,000	-
Net OPEB liability - group life insurance	986,000	180,000	194,000	972,000	-
Net OPEB liability - health insurance credit	1,867,000	215,000	249,000	1,833,000	-
Total Pay-as-you-Go OPEB liability	<u>734,000</u>	<u>86,000</u>	<u>119,000</u>	<u>701,000</u>	-
Total	<u>\$ 23,074,767</u>	<u>\$ 5,758,173</u>	<u>\$ 6,914,684</u>	<u>\$ 21,918,256</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 \$3,583,594 reported as landfill closure and postclosure care liability at June 30, 2019 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 2019. Actual closure and postclosure care costs may be higher due to inflation, changes in technology, or changes in regulations.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 9—Landfill Closure and Postclosure Costs: (Continued)

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.

Note 10—Unearned and Deferred/Unavailable Revenue:

The following is a summary of unearned revenue for the year ended June 30, 2019:

	Government- wide Statements Governmental Activities	Balance Sheet Governmental Funds	Component Unit School Board
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	\$ -	\$ 1,475,786	\$ -
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	58,823	58,823	-
Total deferred/unavailable revenue	\$ 58,823	\$ 1,534,609	\$ -
Unearned revenue:			
Harvest Foundation grant funds	\$ -	\$ -	\$ 12,141
Total	\$ 58,823	\$ 1,534,609	\$ 12,141

Note 11—Contingent Liabilities:

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 12—Litigation:

At June 30, 2019, 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:

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.

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:

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.

Note 14—Pension Plan:

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 creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. 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 creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- 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 creditable service 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 creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- 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 creditable service, 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 creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 14—Pension Plan: (continued)

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 creditable service. 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 creditable service 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 creditable service 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.

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, 2019 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 \$2,025,957 and \$1,969,272 for the years ended June 30, 2019 and June 30, 2018, respectively.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 14—Pension Plan: (continued)

Net Pension Liability

At June 30, 2019, the City reported a liability of \$18,646,917 for its proportionate share of the net pension liability. The City’s net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 and rolled forward to the measurement date of June 30, 2018. 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, 2018 and 2017 was used as a basis for allocation to determine the City’s proportionate share of the net pension liability. At June 30, 2018 and 2017, the City’s proportion was 92.39% and 91.95%, 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, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 14—Pension Plan: (continued)

Actuarial Assumptions – General Employees: (Continued)

Mortality rates:

Largest 10 – Non-Hazardous Duty: 20% 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.

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 14—Pension Plan: (continued)

Actuarial Assumptions – General Employees (Continued)

Mortality rates: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – 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% to 20%

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% to 15%

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 14—Pension Plan: (continued)

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, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 – Hazardous Duty: 70% 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 14—Pension Plan: (continued)

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

Mortality rates: (Continued)

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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 45%

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 14—Pension Plan: (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. 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, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, 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, 2018 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
City's proportionate share of the Net Pension Liability (Asset)	\$ 29,174,287	\$ 18,646,917	\$ 9,780,746

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 14—Pension Plan: (continued)

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

For the year ended June 30, 2019, the City recognized pension expense of \$928,476. 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, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 254,704
Change in assumptions	49,836	-
Net difference between projected and actual earnings on pension plan investments	-	541,145
Changes in proportion	190,023	116,881
Employer contributions subsequent to the measurement date	2,025,957	-
Total	<u>\$ 2,265,816</u>	<u>\$ 912,730</u>

\$2,025,957 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, 2020. 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	Primary Government
2020	\$ 109,872
2021	(79,606)
2022	(744,597)
2023	(63,514)
2024	-
Thereafter	-

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 14—Pension Plan: (continued)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	70
Inactive members:	
Vested inactive members	1
Non-vested inactive members	5
Inactive members active elsewhere in VRS	19
Total inactive members	25
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, 2019 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 \$111,670 and \$128,395 for the years ended June 30, 2019 and June 30, 2018, respectively.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (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, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 4,048,563	\$ 2,677,796	\$ 1,370,767
Changes for the year:			
Service cost	\$ 45,512	\$ -	\$ 45,512
Interest	271,267	-	271,267
Differences between expected and actual experience	86,439	-	86,439
Assumption changes	-	-	-
Contributions - employer	-	128,396	(128,396)
Contributions - employee	-	21,938	(21,938)
Net investment income	-	192,350	(192,350)
Benefit payments, including refunds	(346,627)	(346,627)	-
Administrative expenses	-	(1,789)	1,789
Other changes	-	(166)	166
Net changes	\$ 56,591	\$ (5,898)	\$ 62,489
Balances at June 30, 2018	\$ 4,105,154	\$ 2,671,898	\$ 1,433,256

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Component Unit School Board (nonprofessional)			
Net Pension Liability	1,826,311	1,433,256	1,097,029

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

For the year ended June 30, 2019, the Component Unit School Board (nonprofessional) recognized pension expense of \$148,441. At June 30, 2019, the Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,801	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	16,530
Employer contributions subsequent to the measurement date	111,670	-
Total	<u>\$ 125,471</u>	<u>\$ 16,530</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 14—Pension Plan: (continued)

Component Unit School Board (nonprofessional) (Continued)

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

\$111,670 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, 2020. 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 School Board (nonprofessional)</u>
2020	\$ 27,362
2021	296
2022	(28,020)
2023	(2,367)
2024	-
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, 2019 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 \$1,839,146 and \$1,867,973 for the years ended June 30, 2019 and June 30, 2018, respectively.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (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

At June 30, 2019, the school division reported a liability of \$16,979,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion was .1444% as compared to .14732% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$757,000. 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, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,453,000
Change in assumptions	203,000	-
Net difference between projected and actual earnings on pension plan investments	-	360,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	184,000	1,629,000
Employer contributions subsequent to the measurement date	<u>1,839,146</u>	<u>-</u>
Total	<u>\$ 2,226,146</u>	<u>\$ 3,442,000</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (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)

\$1,839,146 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, 2020. 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>	
2020	\$ (594,000)
2021	(910,000)
2022	(1,092,000)
2023	(356,000)
2024	(103,000)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
Investment rate of return	7.0%, 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 14—Pension Plan: (continued)

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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (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, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	46,679,555
Plan Fiduciary Net Position		34,919,563
Employers' Net Pension Liability (Asset)	\$	<u>11,759,992</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		74.81%

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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	25,936,000	16,979,000	9,565,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (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 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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	\$ <u>2,265,816</u>	\$ <u>912,730</u>	\$ <u>18,646,917</u>	\$ <u>928,476</u>
	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
School Board Nonprofessional	\$ 125,471	\$ 16,530	\$ 1,433,256	\$ 148,441
School Board Professional	<u>2,226,146</u>	<u>3,442,000</u>	<u>16,979,000</u>	<u>757,000</u>
Totals	\$ <u>2,351,617</u>	\$ <u>3,458,530</u>	\$ <u>18,412,256</u>	\$ <u>905,441</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Plan Description

The Group Life Insurance (GLI) Program 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 Program 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.

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 Program. 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 program, it is not included as part of the GLI Program OPEB.

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

Eligible Employees

The GLI Program 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 Program 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 creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Contributions

The contribution requirements for the GLI Program 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 Program 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, 2019 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 Program from the entity were \$67,127 and \$64,569 for the years ended June 30, 2019 and June 30, 2018, respectively, for the City; \$2,543 and \$2,553 for the years ended June 30, 2019 and June 30, 2018, respectively, for the component unit school board (nonprofessional); and \$62,501 and \$61,187 for the years ended June 30, 2019 and June 30, 2018, respectively, for the component unit school board (professional).

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2019, liabilities of \$996,180, \$39,000, and \$933,000 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, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. 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 Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employers' proportions were 0.06556%, 0.00256%, and 0.06141% as compared to 0.06690%, 0.00255%, and 0.06306% at June 30, 2017, for the City, component unit school board (nonprofessional), and component unit school board (professional), respectively.

For the year ended June 30, 2019, the participating employers recognized GLI OPEB expense of (\$2,769), \$0, and (\$1,000), 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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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

At June 30, 2019, the employers reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)		Component Unit School Board (professional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,932	\$ 17,541	\$ 2,000	\$ 1,000	\$ 46,000	\$ 17,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	32,313	-	1,000	-	30,000
Change in assumptions	-	41,546	-	2,000	-	39,000
Changes in proportion	-	44,316	-	-	-	43,000
Employer contributions subsequent to the measurement date	67,127	-	2,543	-	62,501	-
Total	<u>\$ 116,059</u>	<u>\$ 135,716</u>	<u>\$ 4,543</u>	<u>\$ 4,000</u>	<u>\$ 108,501</u>	<u>\$ 129,000</u>

\$67,127, \$2,543, \$62,501, 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, 2020. 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:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)	Component Unit School Board (professional)
2020	\$ (24,927)	\$ (1,000)	\$ (22,000)
2021	(24,927)	(1,000)	(22,000)
2022	(24,927)	-	(22,000)
2023	(15,695)	-	(13,000)
2024	(932)	-	(4,000)
Thereafter	4,615	-	-

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% – 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

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.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates – Teachers: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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

Mortality Rates – 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, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – General Employees: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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% to 20%

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, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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% to 15%

Mortality Rates – 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, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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, 2019 (Continued)

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

Actuarial Assumptions: (Continued)

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program'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, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

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, 2019 (Continued)

Note 15—Group Life Insurance (GLI) Program (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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. 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, 2018, 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, 2018 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, 2019 (Continued)

Note 15—Group Life Insurance (GLI) Program (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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
City's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,301,774	\$ 996,180	\$ 747,828
Component Unit School Board (nonprofessional) proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 51,000	\$ 39,000	\$ 29,000
Component Unit School Board (professional) proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,219,000	\$ 933,000	\$ 701,000

GLI Program Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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) Program (OPEB Plan):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program 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 Program. 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, 2019 (Continued)

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

Plan Description: (Continued)

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

Eligible Employees

The Teacher Employee Retiree HIC Program 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 Program 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 Program 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, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. 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 Program were \$144,134 and \$143,625 for the years ended June 30, 2019 and June 30, 2018, respectively.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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

At June 30, 2019, the school division reported a liability of \$1,833,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division's proportion of the VRS Teacher Employee HIC Program was 0.14438% as compared to 0.14714% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$136,000. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,000
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	1,000
Change in assumptions	-	94,000
Change in proportion	-	-
Employer contributions subsequent to the measurement date	<u>144,134</u>	<u>-</u>
Total	\$ <u><u>144,134</u></u>	\$ <u><u>105,000</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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)

\$144,134 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, 2020. 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

2020	\$	(18,000)
2021		(18,000)
2022		(18,000)
2023		(17,000)
2024		(17,000)
Thereafter		(17,000)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, 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, 2018.

Inflation	2.5%
Salary increases, including inflation:	
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of 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 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (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, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study 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

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program 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, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,381,313
Plan Fiduciary Net Position		111,639
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,269,674</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.08%

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 16—Teacher Employee Health Insurance Credit (HIC) Program (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	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. 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 6.83%, including expected inflation of 2.50%.

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. 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, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program 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, 2018 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 Program net HIC OPEB liability using the discount rate of 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

		Rate		
		1% Decrease	Current Discount	1% Increase
		(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan				
Net HIC OPEB Liability	\$	2,048,000	\$ 1,833,000	\$ 1,651,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-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, 2019 (Continued)

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

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, 2018 (measurement date), the following employees were covered by the benefit terms:

	<u>Primary Government</u>
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, 2019 the City held assets amounting to \$618,805 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, 2019 (Continued)

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

Primary Government: (Continued)

Total OPEB Liability

The City's total OPEB liability was measured as of July 1, 2018. 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	3.62%, which represents the Municipal GO AA 20-year yield curve rate as of June 29, 2018.
Salary Scale	2.50%
Healthcare Cost Trend Rates:	7.25% for fiscal year end 2019, decreasing 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-2017.
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 3.62% 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

		Primary Government Total OPEB Liability
Balances at June 30, 2018	\$	3,306,000
Changes for the year:		
Service cost		69,000
Interest		114,000
Difference between expected and actual experience		264,000
Benefit payments		(375,000)
Other changes		230,000
Net changes		<u>302,000</u>
Balances at June 30, 2019	\$	<u><u>3,608,000</u></u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (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 (2.62%) or one percentage point higher (4.62%) than the current discount rate:

Rate		
1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
\$ 3,839,000	\$ 3,608,000	\$ 3,393,000

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 (6.25%) or one percentage point higher (8.25%) than the current healthcare cost trend rates:

Rates		
1% Decrease (6.25%)	Healthcare Cost Trend (7.25%)	1% Increase (8.25%)
\$ 3,371,000	\$ 3,608,000	\$ 3,871,000

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

For the year ended June 30, 2019, the City recognized OPEB expense in the amount of \$368,000. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 168,000
Changes in assumptions	147,000
Total	<u>\$ 315,000</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

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

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, 2018 (measurement date), the following employees were covered by the benefit terms:

	Component Unit School Board
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, 2019 (Continued)

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

Component Unit School Board: (Continued)

Total OPEB Liability

The School Board's total OPEB liability was measured as of July 1, 2018. 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	3.62%, which represents the Municipal GO AA 20-year yield curve rate as of June 29, 2018.
Salary Scale	2.50%
Healthcare Cost Trend Rates:	7.25% for fiscal year end 2019, 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-2017.
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 3.62% 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

		Component Unit School Board Total OPEB Liability
Balances at June 30, 2018	\$	734,000
Changes for the year:		
Service cost		23,000
Interest		25,000
Difference between expected and actual experience		38,000
Benefit payments		(108,000)
Other changes		(11,000)
Net changes		(33,000)
Balances at June 30, 2019	\$	701,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (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 (2.62%) or one percentage point higher (4.62%) than the current discount rate:

Rate		
1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
\$ 741,000	\$ 701,000	\$ 662,000

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 6.25% or one percentage point higher 8.25% than the current healthcare cost trend rates:

Rates		
1% Decrease (6.25%)	Healthcare Cost Trend (7.25%)	1% Increase (8.25%)
\$ 648,000	\$ 701,000	\$ 760,000

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (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***

For the year ended June 30, 2019, the School Board recognized OPEB expense in the amount of \$61,000. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows.

	Component Unit School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,000	\$ -
Changes in assumptions	-	8,000
Total	<u>\$ 29,000</u>	<u>\$ 8,000</u>

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	Component Unit School Board
2020	\$ 6,000
2021	6,000
2022	7,000
2023	2,000
2024	-
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, 2019 (Continued)

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

Primary Government and Component Unit School Board

Aggregate OPEB Information

	Primary Government			
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net/Total OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Program (Note 15):				
City	\$ 116,059	\$ 135,716	\$ 996,180	\$ 2,769
City Stand-Alone Plan (Note 17)	315,000	-	3,608,000	368,000
Totals	<u>\$ 431,059</u>	<u>\$ 135,716</u>	<u>\$ 4,604,180</u>	<u>\$ 370,769</u>

	Component Unit School Board			
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
VRS OPEB Plans:				
Group Life Insurance Program (Note 15):				
School Board Nonprofessional	\$ 4,543	\$ 4,000	\$ 39,000	\$ -
School Board Professional	108,501	129,000	933,000	(1,000)
Teacher Health Insurance Credit Program (Note 16)	144,134	105,000	1,833,000	136,000
School Stand-Alone Plan (Note 17)	29,000	8,000	701,000	61,000
Totals	<u>\$ 286,178</u>	<u>\$ 246,000</u>	<u>\$ 3,506,000</u>	<u>\$ 196,000</u>

CITY OF MARTINSVILLE, VIRGINIA

Notes to Financial Statements
As of June 30, 2019 (Continued)

Note 18—Surety Bonds:

	<u>Amount</u>
Travelers Casualty and Surety Company of America - Surety Faithful Performance of Duty Schedule Position Bond:	
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 Net Position:

The City's net position was restated as follows:

	<u>Governmental Activities</u>
Net position at June 30, 2018, as originally reported	\$ 664,820
Long-term grant repayment liability incurred in prior year	<u>(780,000)</u>
Net position at June 30, 2018, as restated	<u><u>\$ (115,180)</u></u>

Note 20—Commitments and Contingencies:

At June 30, 2019, 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, 2019.

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, 2019

	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 8,868,000	\$ 8,868,000	\$ 9,136,565	\$ 268,565
Other local taxes	5,404,450	5,404,450	5,645,303	240,853
Permits, privilege fees and regulatory licenses	71,125	71,125	93,318	22,193
Fines and forfeitures	138,500	138,500	139,591	1,091
Revenue from use of money and property	1,090,008	1,096,229	1,289,263	193,034
Charges for services	2,156,728	2,166,728	2,243,877	77,149
Miscellaneous	335,369	341,649	361,270	19,621
Recovered costs	1,977,487	2,067,131	2,108,652	41,521
Intergovernmental:				
Commonwealth	9,443,580	9,772,075	9,894,169	122,094
Federal	130,058	306,316	356,887	50,571
Total revenues	\$ 29,615,305	\$ 30,232,203	\$ 31,268,895	\$ 1,036,692
Expenditures:				
Current:				
General government administration	\$ 4,334,880	\$ 4,413,494	\$ 4,141,693	\$ 271,801
Judicial administration	2,428,351	2,460,272	2,401,821	58,451
Public safety	9,964,766	10,360,852	10,236,313	124,539
Public works	4,517,696	5,008,420	4,837,808	170,612
Health and welfare	853,625	853,625	1,229,160	(375,535)
Education	6,447,475	6,447,475	6,164,347	283,128
Parks, recreation, and cultural	865,148	874,464	819,602	54,862
Community development	2,863,778	3,193,407	3,067,660	125,747
Total expenditures	\$ 32,275,719	\$ 33,612,009	\$ 32,898,404	\$ 713,605
Excess (deficiency) of revenues over (under) expenditures	\$ (2,660,414)	\$ (3,379,806)	\$ (1,629,509)	\$ 1,750,297
Other financing sources (uses):				
Insurance recoveries	\$ -	\$ -	\$ 171,197	\$ 171,197
Transfers in	1,038,945	1,038,945	1,038,945	-
Transfers (out)	-	(52,802)	(52,802)	-
Total other financing sources (uses)	\$ 1,038,945	\$ 986,143	\$ 1,157,340	\$ 171,197
Changes in fund balances	\$ (1,621,469)	\$ (2,393,663)	\$ (472,169)	\$ 1,921,494
Fund balances at beginning of year	1,621,469	2,393,663	6,714,323	4,320,660
Fund balances at end of year	\$ -	\$ -	\$ 6,242,154	\$ 6,242,154

Meals Tax Fund

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

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Final Budget Positive (Negative)</u>
Revenues:				
Other local taxes	\$ 1,820,000	\$ 1,820,000	\$ 1,909,213	\$ 89,213
Intergovernmental:				
Federal	<u>367,978</u>	<u>367,978</u>	<u>370,745</u>	<u>2,767</u>
Total revenues	<u>\$ 2,187,978</u>	<u>\$ 2,187,978</u>	<u>\$ 2,279,958</u>	<u>\$ 91,980</u>
Expenditures:				
Current:				
General government administration	\$ 52,640	\$ 52,640	\$ 52,640	\$ -
Debt service:				
Principal retirement	1,036,124	1,036,124	1,036,124	-
Interest and other fiscal charges	<u>485,792</u>	<u>485,792</u>	<u>485,792</u>	<u>-</u>
Total expenditures	<u>\$ 1,574,556</u>	<u>\$ 1,574,556</u>	<u>\$ 1,574,556</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 613,422</u>	<u>\$ 613,422</u>	<u>\$ 705,402</u>	<u>\$ 91,980</u>
Other financing sources (uses):				
Transfers (out)	<u>\$ (713,422)</u>	<u>\$ (713,422)</u>	<u>\$ (713,422)</u>	<u>\$ -</u>
Changes in fund balances	\$ (100,000)	(100,000)	(8,020)	91,980
Fund balances at beginning of year	<u>100,000</u>	<u>100,000</u>	<u>483,381</u>	<u>383,381</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,361</u>	<u>\$ 475,361</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, 2018

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
Primary Government - City Retirement Plan					
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%
Component Unit School Board (professional)					
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 and Changes in Net Pension Liability and Related Ratios
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 45,512	\$ 41,329	\$ 45,589	\$ 54,322	\$ 56,141
Interest	271,267	279,172	282,746	283,560	284,255
Changes of assumptions	-	11,088	-	-	-
Differences between expected and actual experience	86,439	(100,879)	(43,743)	(5,140)	-
Benefit payments, including refunds of employee contributions	(346,627)	(340,625)	(330,699)	(358,029)	(342,606)
Net change in total pension liability	\$ 56,591	\$ (109,915)	\$ (46,107)	\$ (25,287)	\$ (2,210)
Total pension liability - beginning	4,048,563	4,158,478	4,204,585	4,229,872	4,232,082
Total pension liability - ending (a)	<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>
Plan fiduciary net position					
Contributions - employer	\$ 128,396	\$ 127,356	\$ 113,958	\$ 110,982	\$ 119,537
Contributions - employee	21,938	21,782	20,903	21,192	25,188
Net investment income	192,350	301,389	42,268	123,775	399,239
Benefit payments, including refunds of employee contributions	(346,627)	(340,625)	(330,699)	(358,029)	(342,606)
Administrative expense	(1,789)	(1,891)	(1,784)	(1,895)	(2,295)
Other	(166)	(262)	(19)	(23)	21
Net change in plan fiduciary net position	\$ (5,898)	\$ 107,749	\$ (155,373)	\$ (103,998)	\$ 199,084
Plan fiduciary net position - beginning	2,677,796	2,570,047	2,725,420	2,829,418	2,630,334
Plan fiduciary net position - ending (b)	<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>
School Division's net pension liability - ending (a) - (b)	\$ 1,433,256	\$ 1,370,767	\$ 1,588,431	\$ 1,479,165	\$ 1,400,454
Plan fiduciary net position as a percentage of the total pension liability	65.09%	66.14%	61.80%	64.82%	66.89%
Covered payroll	\$ 476,016	\$ 470,771	\$ 442,484	\$ 426,964	\$ 503,742
School Division's net pension liability as a percentage of covered payroll	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, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
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%
2010	1,945,802	1,945,802	-	13,336,543	14.59%
Component Unit School Board (nonprofessional)					
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%
2010	101,918	101,918	-	615,447	16.56%
Component Unit School Board (professional)					
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%
2010	845,047	845,047	-	13,434,229	6.29%

Notes to Required Supplementary Information
VRS Pension Plan
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 – 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% to 20%

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% to 15%

Largest 10 – 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
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 45%

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 Program
 For the Measurement Dates of June 30, 2018 and 2017

<u>Date</u>	<u>Employer's Proportion of the Net GLI OPEB Liability</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability</u>
Primary Government:					
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%
Component Unit School Board (nonprofessional):					
2018	0.00256%	\$ 39,000	\$ 487,266	8.0038%	51.22%
2017	0.00255%	38,000	470,771	8.0719%	48.86%
Component Unit School Board (professional):					
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 Program

For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
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%
2010	25,055	25,055	-	9,279,630	0.27%
2009	33,562	33,562	-	12,430,464	0.27%
Component Unit School Board (nonprofessional)					
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%
2010	1,219	1,219	-	451,382	0.27%
2009	1,887	1,887	-	698,934	0.27%
Component Unit School Board (professional)					
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%
2010	25,910	25,910	-	13,455,232	0.19%
2009	35,822	35,822	-	13,267,389	0.27%

Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

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% to 20%

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% to 15%

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	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

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% to 45%

Schedule of the City of Martinsville, Virginia School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2018 and 2017

Date	Employer's Proportion of the Net HIC OPEB Liability	Employer's Proportionate Share of the Net HIC OPEB Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Net HIC OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability
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) Program
For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
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%
2010	99,756	99,756	-	9,591,908	1.04%

Notes to Required Supplementary Information
Teacher Employee Health Insurance Credit (HIC) Program
For the Year Ended June 30, 2019

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 following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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 Changes in Total OPEB Liability and Related Ratios
City and School OPEB Plan
For the Years Ended June 30, 2019 and 2018

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

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

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	3.62%
Salary Scale	2.50%
Healthcare Trend Rate	7.25% for fiscal year end 2019, 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-2018

Other Supplementary Information

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Combining and Individual Fund Financial Statements and Schedules

Nonmajor Governmental Funds
Combining Balance Sheet
At June 30, 2019

	Special Revenue Fund	Capital Projects Fund	
	City Grants Fund	Capital Reserve Fund	Total
ASSETS			
Cash and cash equivalents	\$ 78,459	\$ 62,845	\$ 141,304
Due from other governments	6,868	-	6,868
Total assets	<u>\$ 85,327</u>	<u>\$ 62,845</u>	<u>\$ 148,172</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 14,982	\$ 3,345	\$ 18,327
Total liabilities	<u>\$ 14,982</u>	<u>\$ 3,345</u>	<u>\$ 18,327</u>
FUND BALANCES			
Assigned:			
Capital reserve fund	\$ -	\$ 59,500	\$ 59,500
Unassigned	70,345	-	70,345
Total fund balances	<u>\$ 70,345</u>	<u>\$ 59,500</u>	<u>\$ 129,845</u>
Total liabilities and fund balances	<u>\$ 85,327</u>	<u>\$ 62,845</u>	<u>\$ 148,172</u>

Nonmajor Governmental Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual
For the Year Ended June 30, 2019

	Special Revenue Funds				Capital Projects Fund			
	City Grants Fund			Variance From Final Budget Positive (Negative)	Capital Reserve Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual		Original Budget	Budget As Amended	Actual	
Revenues:								
Revenue from use of money and property	\$ 10,930	\$ 10,930	\$ 30,640	\$ 19,710	\$ -	\$ 11,760	\$ 12,776	\$ 1,016
Miscellaneous	-	-	498	498	-	-	-	-
Intergovernmental:								
Commonwealth	-	-	-	-	115,400	235,400	120,000	(115,400)
Federal	-	30,000	41,759	11,759	-	205,000	197,342	(7,658)
Total revenues	\$ 10,930	\$ 40,930	\$ 72,897	\$ 31,967	\$ 115,400	\$ 452,160	\$ 330,118	\$ (122,042)
Expenditures:								
General government administration	\$ -	\$ -	\$ -	\$ -	\$ 174,000	\$ 491,375	\$ 391,456	\$ 99,919
Public safety	-	-	-	-	496,585	946,290	934,305	11,985
Public works	-	-	-	-	92,000	144,494	113,527	30,967
Parks, recreation, and cultural	-	-	-	-	40,020	43,280	33,200	10,080
Community development	300	64,835	53,147	11,688	-	120,000	120,000	-
Debt service:								
Principal retirement	-	-	-	-	229,600	229,600	229,600	-
Interest and fiscal charges	-	-	-	-	26,816	26,816	26,816	-
Total expenditures	\$ 300	\$ 64,835	\$ 53,147	\$ 11,688	\$ 1,059,021	\$ 2,001,855	\$ 1,848,904	\$ 152,951
Excess (deficiency) of revenues over (under) expenditures	\$ 10,630	\$ (23,905)	\$ 19,750	\$ 43,655	\$ (943,621)	\$ (1,549,695)	\$ (1,518,786)	\$ 30,909
Other financing sources (uses):								
Transfers in	-	-	-	-	843,621	896,423	896,423	-
Changes in fund balances	\$ 10,630	\$ (23,905)	\$ 19,750	\$ 43,655	\$ (100,000)	\$ (653,272)	\$ (622,363)	\$ 30,909
Fund balances at beginning of year	(10,630)	23,905	50,595	26,690	100,000	653,272	681,863	28,591
Fund balances at end of year	\$ -	\$ -	\$ 70,345	\$ 70,345	\$ -	\$ -	\$ 59,500	\$ 59,500

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2019

	Special Revenue Fund	Capital Projects Fund	
	City Grants Fund	Capital Reserve Fund	Total
Revenues:			
Revenue from use of money and property	\$ 30,640	\$ 12,776	\$ 43,416
Miscellaneous	498	-	498
Intergovernmental:			
Commonwealth	-	120,000	120,000
Federal	41,759	197,342	239,101
Total revenues	\$ 72,897	\$ 330,118	\$ 403,015
Expenditures:			
General government administration	\$ -	\$ 391,456	\$ 391,456
Public safety	-	934,305	934,305
Public works	-	113,527	113,527
Parks, recreation, and cultural	-	33,200	33,200
Planning and community development	53,147	120,000	173,147
Debt service:			
Principal retirement	-	229,600	229,600
Interest and fiscal charges	-	26,816	26,816
Total expenditures	\$ 53,147	\$ 1,848,904	\$ 1,902,051
Excess (deficiency) of revenues over (under) expenditures	\$ 19,750	\$ (1,518,786)	\$ (1,499,036)
Other financing sources:			
Transfers in	\$ -	\$ 896,423	\$ 896,423
Total other financing sources	\$ -	\$ 896,423	\$ 896,423
Changes in fund balances	\$ 19,750	\$ (622,363)	\$ (602,613)
Fund balances at beginning of year	50,595	681,863	732,458
Fund balances at end of year	\$ 70,345	\$ 59,500	\$ 129,845

Combining Statement of Fiduciary Net Position -
Agency Funds
At June 30, 2019

	Insurance Trust Fund	Inmate Welfare Fund	Police Academy Fund	Southern Virginia Recreation Facility Authority Fund	Blue Ridge Regional Library Fund	Dan River ASAP Fund	Total
ASSETS							
Cash and cash equivalents	\$ 618,805	\$ 165,962	\$ 312,745	\$ 27,584	\$ 301,636	\$ 139,676	\$ 1,566,408
Due from other governments	-	-	-	42,059	-	-	42,059
Total assets	<u>\$ 618,805</u>	<u>\$ 165,962</u>	<u>\$ 312,745</u>	<u>\$ 69,643</u>	<u>\$ 301,636</u>	<u>\$ 139,676</u>	<u>\$ 1,608,467</u>
LIABILITIES							
Accounts payable	\$ -	\$ 776	\$ 2,759	\$ 53,401	\$ 34,795	\$ 3,006	\$ 94,737
Amounts held for others	618,805	165,186	309,986	16,242	266,841	136,670	1,513,730
Total liabilities	<u>\$ 618,805</u>	<u>\$ 165,962</u>	<u>\$ 312,745</u>	<u>\$ 69,643</u>	<u>\$ 301,636</u>	<u>\$ 139,676</u>	<u>\$ 1,608,467</u>

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2019

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Insurance Trust Fund:				
Assets:				
Cash and cash equivalents	\$ 542,889	\$ 4,613,612	\$ 4,537,696	\$ 618,805
Total assets	<u>\$ 542,889</u>	<u>\$ 4,613,612</u>	<u>\$ 4,537,696</u>	<u>\$ 618,805</u>
Liabilities:				
Amounts held for others	\$ 542,889	\$ 4,613,612	\$ 4,537,696	\$ 618,805
Total liabilities	<u>\$ 542,889</u>	<u>\$ 4,613,612</u>	<u>\$ 4,537,696</u>	<u>\$ 618,805</u>
Inmate Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 190,377	\$ 316,964	\$ 341,379	\$ 165,962
Total assets	<u>\$ 190,377</u>	<u>\$ 316,964</u>	<u>\$ 341,379</u>	<u>\$ 165,962</u>
Liabilities:				
Accounts payable	\$ -	\$ 776	\$ -	\$ 776
Amounts held for others	190,377	316,188	341,379	165,186
Total liabilities	<u>\$ 190,377</u>	<u>\$ 316,964</u>	<u>\$ 341,379</u>	<u>\$ 165,962</u>
Police Academy Fund:				
Assets:				
Cash and cash equivalents	\$ 326,644	\$ 370,018	\$ 383,917	\$ 312,745
Total assets	<u>\$ 326,644</u>	<u>\$ 370,018</u>	<u>\$ 383,917</u>	<u>\$ 312,745</u>
Liabilities:				
Accounts payable	\$ 33,225	\$ 2,759	\$ 33,225	\$ 2,759
Amounts held for others	293,419	367,259	350,692	309,986
Total liabilities	<u>\$ 326,644</u>	<u>\$ 370,018</u>	<u>\$ 383,917</u>	<u>\$ 312,745</u>
Southern Virginia Recreation Facilities Authority Fund:				
Assets:				
Cash and cash equivalents	\$ 59,435	\$ 1,900,796	\$ 1,932,647	\$ 27,584
Due from other governments	-	42,059	-	42,059
Total assets	<u>\$ 59,435</u>	<u>\$ 1,942,855</u>	<u>\$ 1,932,647</u>	<u>\$ 69,643</u>
Liabilities:				
Accounts payable	\$ 12,013	\$ 53,401	\$ 12,013	\$ 53,401
Amounts held for others	47,422	1,889,454	1,920,634	16,242
Total liabilities	<u>\$ 59,435</u>	<u>\$ 1,942,855</u>	<u>\$ 1,932,647</u>	<u>\$ 69,643</u>
Blue Ridge Regional Library Fund:				
Assets:				
Cash and cash equivalents	\$ 304,564	\$ 1,850,869	\$ 1,853,797	\$ 301,636
Total assets	<u>\$ 304,564</u>	<u>\$ 1,850,869</u>	<u>\$ 1,853,797</u>	<u>\$ 301,636</u>
Liabilities:				
Accounts payable	\$ 64,263	\$ 34,795	\$ 64,263	\$ 34,795
Amounts held for others	240,301	1,816,074	1,789,534	266,841
Total liabilities	<u>\$ 304,564</u>	<u>\$ 1,850,869</u>	<u>\$ 1,853,797</u>	<u>\$ 301,636</u>
Dan River ASAP Fund:				
Assets:				
Cash and cash equivalents	\$ 179,237	\$ 235,779	\$ 275,340	\$ 139,676
Total assets	<u>\$ 179,237</u>	<u>\$ 235,779</u>	<u>\$ 275,340</u>	<u>\$ 139,676</u>
Liabilities:				
Accounts payable	\$ 5,948	\$ 3,006	\$ 5,948	\$ 3,006
Amounts held for others	173,289	232,773	269,392	136,670
Total liabilities	<u>\$ 179,237</u>	<u>\$ 235,779</u>	<u>\$ 275,340</u>	<u>\$ 139,676</u>
Total -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 1,603,146	\$ 9,288,038	\$ 9,324,776	\$ 1,566,408
Due from other governments	-	42,059	-	42,059
Total assets	<u>\$ 1,603,146</u>	<u>\$ 9,330,097</u>	<u>\$ 9,324,776</u>	<u>\$ 1,608,467</u>
Liabilities:				
Accounts payable	\$ 115,449	\$ 94,737	\$ 115,449	\$ 94,737
Amounts held for others	1,487,697	9,235,360	9,209,327	1,513,730
Total liabilities	<u>\$ 1,603,146</u>	<u>\$ 9,330,097</u>	<u>\$ 9,324,776</u>	<u>\$ 1,608,467</u>

Combining Balance Sheet
Discretely Presented Component Unit -- School Board
At June 30, 2019

	School Operating Fund	School Cafeteria Fund	School Grants Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 257,136	\$ 1,734,445	\$ -	\$ 1,991,581
Due from other governments	702,659	56,088	469,162	1,227,909
Due from other funds	253,212	-	-	253,212
Total assets	<u>\$ 1,213,007</u>	<u>\$ 1,790,533</u>	<u>\$ 469,162</u>	<u>\$ 3,472,702</u>
LIABILITIES				
Accounts payable	\$ 318,004	\$ 18,433	\$ 112,001	\$ 448,438
Unearned revenue	12,141	-	-	12,141
Accrued liabilities	882,862	27,714	90,138	1,000,714
Due to other funds	-	-	253,212	253,212
Total liabilities	<u>\$ 1,213,007</u>	<u>\$ 46,147</u>	<u>\$ 455,351</u>	<u>\$ 1,714,505</u>
FUND BALANCES				
Committed:				
School food program	\$ -	\$ 1,744,386	\$ -	\$ 1,744,386
Education	-	-	13,811	13,811
Total fund balances	<u>\$ -</u>	<u>\$ 1,744,386</u>	<u>\$ 13,811</u>	<u>\$ 1,758,197</u>
Total liabilities and fund balances	<u>\$ 1,213,007</u>	<u>\$ 1,790,533</u>	<u>\$ 469,162</u>	<u>\$ 3,472,702</u>

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

Total Fund balances, above \$ 1,758,197

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. 11,766,898

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	\$ 2,351,617	
OPEB items	286,178	2,637,795

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	(18,412,256)
Net OPEB liability - group life insurance	(972,000)
Net OPEB liability - health insurance credit	(1,833,000)
Total Pay-as-you-Go OPEB liability	(701,000)

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	\$ (3,458,530)	
OPEB items	(246,000)	(3,704,530)

Net position of General Government Activities \$ (9,459,896)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2019

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>School Grants Fund</u>	<u>Total</u>
Revenues:				
Revenue from use of money and property	\$ 2,200	\$ 48,077	\$ -	\$ 50,277
Charges for services	-	150,433	-	150,433
Miscellaneous	171,214	-	-	171,214
Recovered costs	935,629	-	-	935,629
Intergovernmental:				
Local government	6,144,512	-	-	6,144,512
Commonwealth	14,996,567	52,590	-	15,049,157
Federal	63,121	1,529,107	2,080,725	3,672,953
	<u>22,313,243</u>	<u>1,780,207</u>	<u>2,080,725</u>	<u>26,174,175</u>
Total revenues	\$ 22,313,243	\$ 1,780,207	\$ 2,080,725	\$ 26,174,175
Expenditures:				
Current:				
Education	\$ 22,406,548	\$ 1,663,842	\$ 2,079,305	\$ 26,149,695
	<u>22,406,548</u>	<u>1,663,842</u>	<u>2,079,305</u>	<u>26,149,695</u>
Total expenditures	\$ 22,406,548	\$ 1,663,842	\$ 2,079,305	\$ 26,149,695
Other financing sources (uses):				
Insurance recoveries	\$ 93,305	\$ -	\$ -	\$ 93,305
	<u>93,305</u>	<u>-</u>	<u>-</u>	<u>93,305</u>
Total other financing sources (uses)	\$ 93,305	\$ -	\$ -	\$ 93,305
Changes in fund balances	\$ -	\$ 116,365	\$ 1,420	\$ 117,785
Fund balances at beginning of year	<u>-</u>	<u>1,628,021</u>	<u>12,391</u>	<u>1,640,412</u>
Fund balances at end of year	<u><u>-</u></u>	<u><u>1,744,386</u></u>	<u><u>13,811</u></u>	<u><u>1,758,197</u></u>

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, 2019

Net changes in fund balances - total governmental funds \$ 117,785

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	\$ 97,500	
Depreciation expense	<u>(643,203)</u>	(545,703)

Transfer of joint tenancy assets from Primary Government to Component Unit School Board 887,124

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	\$ 315,831	
OPEB items	<u>(34,000)</u>	281,831

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	\$ (347,939)	
OPEB items	78,961	
Change in net pension liability	1,075,511	
Change in net OPEB liability - group life insurance	14,000	
Change in net OPEB liability - health insurance credit	34,000	
Change in total Pay-as-you-Go OPEB liability	<u>33,000</u>	<u>887,533</u>

Changes in net position of governmental activities \$ 1,628,570

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, 2019

	School Operating Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 2,200	\$ 2,200
Charges for services	-	-	-	-
Miscellaneous	-	236,192	171,214	(64,978)
Recovered costs	877,929	877,929	935,629	57,700
Intergovernmental:				
Local government	6,427,654	6,427,654	6,144,512	(283,142)
Commonwealth	15,417,657	15,499,278	14,996,567	(502,711)
Federal	30,224	30,224	63,121	32,897
Total revenues	\$ 22,753,464	\$ 23,071,277	\$ 22,313,243	\$ (758,034)
Expenditures:				
Current:				
Education	\$ 22,753,464	\$ 23,362,310	\$ 22,406,548	\$ 955,762
Total expenditures	\$ 22,753,464	\$ 23,362,310	\$ 22,406,548	\$ 955,762
Excess (deficiency) of revenues over expenditures	\$ -	\$ (291,033)	\$ (93,305)	\$ 197,728
Other financing sources (uses):				
Insurance recoveries	\$ -	\$ 93,305	\$ 93,305	\$ -
Total other financing sources (uses)	\$ -	\$ 93,305	\$ 93,305	\$ -
Changes in fund balances	\$ -	\$ (197,728)	\$ -	\$ 197,728
Fund balances at beginning of year	-	197,728	-	(197,728)
Fund balances at end of year	\$ -	\$ -	\$ -	\$ -

School Cafeteria Fund				School Grants Fund			
Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
\$ 27,000	\$ 27,000	\$ 48,077	\$ 21,077	\$ -	\$ -	\$ -	\$ -
160,000	160,000	150,433	(9,567)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
47,358	47,358	52,590	5,232	-	-	-	-
1,267,504	1,267,504	1,529,107	261,603	-	1,945,386	2,080,725	135,339
\$ 1,501,862	\$ 1,501,862	\$ 1,780,207	\$ 278,345	\$ -	\$ 1,945,386	\$ 2,080,725	\$ 135,339
\$ 1,680,362	\$ 1,680,362	\$ 1,663,842	\$ 16,520	\$ -	\$ 1,945,386	\$ 2,079,305	\$ (133,919)
\$ 1,680,362	\$ 1,680,362	\$ 1,663,842	\$ 16,520	\$ -	\$ 1,945,386	\$ 2,079,305	\$ (133,919)
\$ (178,500)	\$ (178,500)	\$ 116,365	\$ 294,865	\$ -	\$ -	\$ 1,420	\$ 1,420
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ (178,500)	\$ (178,500)	\$ 116,365	\$ 294,865	\$ -	\$ -	\$ 1,420	\$ 1,420
178,500	178,500	1,628,021	1,449,521	-	-	12,391	12,391
\$ -	\$ -	\$ 1,744,386	\$ 1,744,386	\$ -	\$ -	\$ 13,811	\$ 13,811

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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, 2019

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,550,000	\$ 6,550,000	\$ 6,623,024	\$ 73,024
Real and personal public service corporation taxes	243,000	243,000	261,891	18,891
Personal property taxes	795,000	795,000	890,748	95,748
Business equipment	950,000	950,000	1,005,299	55,299
Machinery and tools taxes	120,000	120,000	122,964	2,964
Penalties	110,000	110,000	110,783	783
Interest and costs	100,000	100,000	121,856	21,856
Total general property taxes	\$ 8,868,000	\$ 8,868,000	\$ 9,136,565	\$ 268,565
Other local taxes:				
Local sales and use taxes	\$ 2,000,000	\$ 2,000,000	\$ 2,039,498	\$ 39,498
Consumers' utility taxes	677,100	677,100	606,852	(70,248)
Business license tax	1,800,000	1,800,000	1,957,688	157,688
Franchise license taxes	20,000	20,000	20,000	-
Motor vehicle licenses	325,000	325,000	333,153	8,153
Bank franchise tax	310,000	310,000	441,099	131,099
Taxes on recordation and wills	40,000	40,000	51,424	11,424
Grantor tax	15,000	15,000	16,173	1,173
Cigarette tax	200,000	200,000	164,769	(35,231)
Rental tax	350	350	223	(127)
Transient room tax	17,000	17,000	14,424	(2,576)
Total other local taxes	\$ 5,404,450	\$ 5,404,450	\$ 5,645,303	\$ 240,853
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 3,500	\$ 3,500	\$ 3,473	\$ (27)
Other permits and licenses	67,625	67,625	89,845	22,220
Total permits, privilege fees and regulatory licenses	\$ 71,125	\$ 71,125	\$ 93,318	\$ 22,193
Fines and Forfeitures:				
Court fines and forfeitures	\$ 125,000	\$ 125,000	\$ 127,089	\$ 2,089
Other fines and forfeitures	13,500	13,500	12,502	(998)
Total fines and forfeitures	\$ 138,500	\$ 138,500	\$ 139,591	\$ 1,091

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from use of money and property:				
Revenue from use of money	\$ 325,025	\$ 325,025	\$ 417,657	\$ 92,632
Revenue from use of property	764,983	771,204	871,606	100,402
Total revenue from use of money and property	\$ 1,090,008	\$ 1,096,229	\$ 1,289,263	\$ 193,034
Charges for services:				
Sheriff fees	\$ 3,624	\$ 3,624	\$ 3,625	\$ 1
Courthouse maintenance fees	9,000	9,000	7,902	(1,098)
Court appointed attorney fees	8,000	8,000	8,249	249
Court house security fees	21,000	21,000	22,524	1,524
Ambulance Fees	475,000	475,000	549,608	74,608
Document reproduction fee	2,000	2,000	2,180	180
Remote access fee	7,500	7,500	9,155	1,655
Commonwealth attorney fees	3,500	3,500	5,817	2,317
Other public safety fees	7,600	7,600	8,137	537
Recreation fees	12,000	12,000	3,825	(8,175)
Prison farm labor / street maintenance	24,000	24,000	24,000	-
Telecom services	1,542,004	1,542,004	1,548,826	6,822
Other charges for services	41,500	51,500	50,029	(1,471)
Total charges for services	\$ 2,156,728	\$ 2,166,728	\$ 2,243,877	\$ 77,149
Miscellaneous:				
Payment in lieu of tax	\$ 297,769	\$ 297,769	\$ 297,769	\$ -
Other miscellaneous revenue	37,600	43,880	63,501	19,621
Total miscellaneous	\$ 335,369	\$ 341,649	\$ 361,270	\$ 19,621
Recovered costs:				
WW Moore	\$ 40,000	\$ 40,000	\$ 29,356	\$ (10,644)
SSI / LIDS	500	500	8,000	7,500
Circuit court and J&DR court	1,000	1,000	61	(939)
Meals tax administration	52,640	52,640	52,640	-
Street maintenance overhead	381,496	381,496	381,496	-
Demolition	3,000	3,000	1,887	(1,113)
Advance / recovered cost	100,000	166,757	127,863	(38,894)
Health department	-	-	29,194	29,194
Juror and witness	5,000	5,000	4,530	(470)
Sheriff	-	500	5,603	5,103
Medical co-pay reimbursement	10,000	10,000	5,183	(4,817)
Treasurer	15,000	15,000	16,667	1,667
Project lifesaver	1,000	1,000	1,400	400

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Recovered costs: (Continued)				
Traffic reimbursement	\$ 1,000	\$ 2,081	\$ 1,217	\$ (864)
Telecom recovered costs	50,000	50,000	70,465	20,465
Collection expense	57,666	57,666	57,666	-
Billing expense	392,422	392,422	392,422	-
Safety expense	16,757	16,757	16,757	-
Communication	6,404	6,404	6,404	-
Public safety	35,000	44,275	50,690	6,415
Inmate fees	45,000	45,000	69,336	24,336
Crisis intervention team	35,000	35,000	46,771	11,771
Central garage	137,183	137,183	137,183	-
Other central services	553,794	553,794	553,794	-
Senior citizens	6,500	13,531	8,734	(4,797)
Social services	23,525	23,525	23,526	1
Program income	1,200	1,200	1,974	774
EMS Training	-	5,000	928	(4,072)
Senior citizens - transportation	2,800	2,800	3,305	505
Fiscal agent fees - regional library	3,600	3,600	3,600	-
Total recovered costs	\$ 1,977,487	\$ 2,067,131	\$ 2,108,652	\$ 41,521
Total revenue from local sources	\$ 20,041,667	\$ 20,153,812	\$ 21,017,839	\$ 864,027
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 8,500	\$ 8,500	\$ 8,406	\$ (94)
Recordation tax	15,000	15,000	16,468	1,468
PPTRA	626,428	626,428	626,428	-
Communications tax	810,000	810,000	778,932	(31,068)
Auto rental tax	85,000	85,000	96,361	11,361
Total noncategorical aid	\$ 1,544,928	\$ 1,544,928	\$ 1,526,595	\$ (18,333)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 516,863	\$ 517,763	\$ 500,177	\$ (17,586)
Sheriff	1,923,309	1,923,309	1,933,920	10,611
Commissioner of the Revenue	106,181	106,181	105,610	(571)
Treasurer	89,900	89,900	88,320	(1,580)
Registrar/electoral board	36,000	36,000	37,500	1,500
Clerk of the circuit court	310,183	310,183	328,679	18,496
Total shared expenses	\$ 2,982,436	\$ 2,983,336	\$ 2,994,206	\$ 10,870

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Senior citizens	\$ 12,000	\$ 12,000	\$ 9,612	\$ (2,388)
Confiscated assets	-	42,056	40,015	(2,041)
Victim witness	27,686	27,686	28,240	554
House Bill # 599 - police	900,796	900,796	900,796	-
EMS four for life	10,000	12,382	12,382	-
Fire grant	39,000	47,839	47,839	-
Street maintenance	3,381,734	3,381,734	3,397,753	16,019
Jail per diem	340,000	340,000	297,084	(42,916)
Comprehensive services	200,000	200,000	365,328	165,328
VDOT highway projects	-	159,232	159,232	-
Other categorical aid	5,000	120,086	115,087	(4,999)
Total other categorical aid	\$ 4,916,216	\$ 5,243,811	\$ 5,373,368	\$ 129,557
Total categorical aid	\$ 7,898,652	\$ 8,227,147	\$ 8,367,574	\$ 140,427
Total revenue from the Commonwealth	\$ 9,443,580	\$ 9,772,075	\$ 9,894,169	\$ 122,094
Revenue from the federal government:				
Categorical aid:				
Victim witness	\$ 83,058	\$ 83,058	\$ 84,719	\$ 1,661
Confiscated assets	-	8,506	8,506	-
DMV grant - police	18,000	18,000	13,739	(4,261)
Senior citizens	-	-	23,174	23,174
Viper overtime grant	9,000	9,000	10,277	1,277
Bulletproof vest grant	-	-	18,708	18,708
Brownfields grant	-	67,953	67,953	-
Street construction	-	83,235	83,235	-
FEMA	15,000	15,000	12,599	(2,401)
Other categorical aid	5,000	21,564	33,977	12,413
Total categorical aid	\$ 130,058	\$ 306,316	\$ 356,887	\$ 50,571
Total revenue from the Federal Government	\$ 130,058	\$ 306,316	\$ 356,887	\$ 50,571
Total General Fund	\$ 29,615,305	\$ 30,232,203	\$ 31,268,895	\$ 1,036,692
Special Revenue Funds:				
City Grants Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 1,383	\$ 1,383
Revenue from use of property	10,930	10,930	29,257	18,327
Total revenue from use of money and property	\$ 10,930	\$ 10,930	\$ 30,640	\$ 19,710
Recovered costs	\$ -	\$ -	\$ 498	\$ 498
Total revenue from local sources	\$ 10,930	\$ 10,930	\$ 31,138	\$ 20,208

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Special Revenue Funds: (Continued)				
City Grants Fund: (Continued)				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Pinehall neighborhood planning grant	\$ -	\$ 30,000	\$ 30,000	\$ -
Northside neighborhood improvement grant	-	-	11,759	11,759
Total revenue from the Federal Government	\$ -	\$ 30,000	\$ 41,759	\$ 11,759
Total City Grants Fund	<u>\$ 10,930</u>	<u>\$ 40,930</u>	<u>\$ 72,897</u>	<u>\$ 31,967</u>
Total Special Revenue Funds	<u>\$ 10,930</u>	<u>\$ 40,930</u>	<u>\$ 72,897</u>	<u>\$ 31,967</u>
Capital Projects Funds:				
Capital Reserve Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ 11,760	\$ 12,776	\$ 1,016
Total revenue from local sources	\$ -	\$ 11,760	\$ 12,776	\$ 1,016
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Jail construction reimbursement	\$ 115,400	\$ 115,400	\$ -	\$ (115,400)
Tobacco regional opportunity	-	120,000	120,000	-
Total revenue from the Commonwealth	\$ 115,400	\$ 235,400	\$ 120,000	\$ (115,400)
Revenue from the federal government:				
Categorical aid:				
FEMA firefighters grant	\$ -	\$ 205,000	\$ 197,342	\$ (7,658)
Total revenue from the Federal Government	\$ -	\$ 205,000	\$ 197,342	\$ (7,658)
Total Capital Reserve Fund	<u>\$ 115,400</u>	<u>\$ 452,160</u>	<u>\$ 330,118</u>	<u>\$ (122,042)</u>
Meals Tax Fund:				
Revenue from local sources:				
Other local taxes:				
Meals taxes	\$ 1,820,000	\$ 1,820,000	\$ 1,909,213	\$ 89,213
Total revenue from local sources	\$ 1,820,000	\$ 1,820,000	\$ 1,909,213	\$ 89,213
Intergovernmental:				
Revenue from the Federal Government				
Categorical aid:				
QSCB tax credit	\$ 367,978	\$ 367,978	\$ 370,745	\$ 2,767
Total revenue from the Federal Government	\$ 367,978	\$ 367,978	\$ 370,745	\$ 2,767
Total Meals Tax Fund	<u>\$ 2,187,978</u>	<u>\$ 2,187,978</u>	<u>\$ 2,279,958</u>	<u>\$ 91,980</u>
Total Capital Projects Funds	<u>\$ 2,303,378</u>	<u>\$ 2,640,138</u>	<u>\$ 2,610,076</u>	<u>\$ (30,062)</u>
Total Revenues -- Primary Government	<u>\$ 31,929,613</u>	<u>\$ 32,913,271</u>	<u>\$ 33,951,868</u>	<u>\$ 1,038,597</u>

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Component Unit-School Board:				
Governmental Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ -	\$ 2,200	\$ 2,200
Charges for services:				
Tuition and other charges for services	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ 236,192	\$ 171,214	\$ (64,978)
Recovered costs:				
Recovered costs	\$ 877,929	\$ 877,929	\$ 935,629	\$ 57,700
Total revenue from local sources	\$ 877,929	\$ 1,114,121	\$ 1,109,043	\$ (5,078)
Intergovernmental:				
Revenues from local governments:				
Contribution from City of Martinsville, Virginia	\$ 6,427,654	\$ 6,427,654	\$ 6,144,512	\$ (283,142)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,236,348	\$ 2,236,348	\$ 2,274,007	\$ 37,659
Basic school aid	6,715,383	6,715,383	6,303,952	(411,431)
Share of fringe benefits - FICA	464,039	464,039	442,440	(21,599)
Share of fringe benefits - VRS	1,025,926	1,025,926	978,173	(47,753)
English as a second language	137,573	137,573	103,709	(33,864)
Group life insurance benefits	31,134	31,134	29,684	(1,450)
Regional tuition special education	82,039	82,039	125,963	43,924
Early reading intervention	89,384	89,384	70,982	(18,402)
Vocational SOQ payments	223,865	223,865	213,445	(10,420)
Special education - basic	916,217	916,217	893,731	(22,486)
At risk students	724,917	724,917	770,301	45,384
Homebound education	8,201	8,201	14,863	6,662
Remedial education	120,235	120,235	107,728	(12,507)
Remediation SOQ payments	610,812	610,812	582,381	(28,431)
Reduced K-3	655,169	655,169	619,794	(35,375)
Preschool initiative	253,745	253,745	253,745	-
Textbooks	149,278	149,278	142,330	(6,948)
Technology	159,675	159,675	163,762	4,087
Other state funds	813,717	895,338	905,577	10,239
Total categorical aid	\$ 15,417,657	\$ 15,499,278	\$ 14,996,567	\$ (502,711)
Total revenue from the Commonwealth	\$ 15,417,657	\$ 15,499,278	\$ 14,996,567	\$ (502,711)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Revenues -- Budget and Actual
 For the Year Ended June 30, 2019 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Component Unit-School Board: (Continued)				
Governmental Funds: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Other federal categorical aid	\$ 30,224	\$ 30,224	\$ 63,121	\$ 32,897
Total categorical aid	\$ 30,224	\$ 30,224	\$ 63,121	\$ 32,897
Total revenue from the federal government	\$ 30,224	\$ 30,224	\$ 63,121	\$ 32,897
Total School Operating Fund	\$ 22,753,464	\$ 23,071,277	\$ 22,313,243	\$ (758,034)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ 27,000	\$ 27,000	\$ 48,077	\$ 21,077
Charges for services:				
Cafeteria sales	\$ 160,000	\$ 160,000	\$ 150,433	\$ (9,567)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 47,358	\$ 47,358	\$ 52,590	\$ 5,232
Revenue from the federal government:				
Categorical aid:				
School food	\$ 1,267,504	\$ 1,267,504	\$ 1,529,107	\$ 261,603
Total School Cafeteria Fund	\$ 1,501,862	\$ 1,501,862	\$ 1,780,207	\$ 278,345
School Grants Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ -	\$ 1,062,017	\$ 1,163,134	\$ 101,117
Title II - teacher quality	-	125,676	141,636	15,960
Title III - language acquisition grant	-	14,094	11,412	(2,682)
Title IV - student support and academic enrichment	-	75,050	95,364	20,314
Title VI - rural education	-	37,462	36,995	(467)
Special education - flow through	-	560,262	564,821	4,559
Special education - preschool	-	6,731	3,162	(3,569)
Perkins vocational education	-	64,094	64,201	107
Total revenue from the federal government	\$ -	\$ 1,945,386	\$ 2,080,725	\$ 135,339
Total School Grants Fund	\$ -	\$ 1,945,386	\$ 2,080,725	\$ 135,339
Total Revenues--Component Unit - School Board	\$ 24,255,326	\$ 26,518,525	\$ 26,174,175	\$ (344,350)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2019

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government:				
General Fund:				
General Government Administration:				
Legislative:				
City council	\$ 43,190	\$ 43,190	\$ 40,621	\$ 2,569
General and Financial Administration:				
Clerk of council	\$ 4,227	\$ 4,227	\$ 4,214	\$ 13
City attorney	103,726	103,726	167,857	(64,131)
City manager's office	260,061	260,061	260,280	(219)
Assistant city manager	17,097	17,097	17,107	(10)
Legal services	5,000	5,000	-	5,000
Human resources	216,089	216,089	195,362	20,727
Employment services	375,316	380,416	320,298	60,118
Communications	22,225	22,225	22,043	182
Commissioner of the Revenue	456,898	457,598	448,763	8,835
Assessor	8,740	8,040	6,948	1,092
Treasurer	307,907	317,907	299,753	18,154
Finance director	162,767	162,767	148,147	14,620
Accounting	172,191	173,591	173,306	285
Utility billing	381,867	381,867	360,242	21,625
Information services	458,880	458,880	437,017	21,863
Central garage	457,841	459,055	450,684	8,371
Purchasing	178,550	178,550	177,982	568
Risk management	260,520	260,520	205,860	54,660
General expenses	293,197	354,097	283,076	71,021
Total general and financial administration	\$ 4,143,099	\$ 4,221,713	\$ 3,978,939	\$ 242,774
Board of Elections:				
Electoral board and officials	\$ 26,449	\$ 26,449	\$ 15,662	\$ 10,787
Registrar	122,142	122,142	106,471	15,671
Total board of elections	\$ 148,591	\$ 148,591	\$ 122,133	\$ 26,458
Total general government administration	\$ 4,334,880	\$ 4,413,494	\$ 4,141,693	\$ 271,801
Judicial Administration:				
Courts:				
Circuit court	\$ 84,649	\$ 84,649	\$ 84,121	\$ 528
General district court	32,600	32,600	25,504	7,096
Juvenile and domestic relations court	14,575	14,575	9,648	4,927
Clerk of the circuit court	455,928	455,928	451,838	4,090
Sheriff - courts	996,709	1,013,431	1,029,600	(16,169)
Total Courts	\$ 1,584,461	\$ 1,601,183	\$ 1,600,711	\$ 472

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2019 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Commonwealth Attorney:				
Commonwealth attorney	\$ 729,650	\$ 744,849	\$ 687,974	\$ 56,875
Victim witness program	114,240	114,240	113,136	1,104
Total Commonwealth attorney	\$ 843,890	\$ 859,089	\$ 801,110	\$ 57,979
Total judicial administration	\$ 2,428,351	\$ 2,460,272	\$ 2,401,821	\$ 58,451
Public Safety:				
Law Enforcement and Traffic Control:				
Police department	\$ 4,020,597	\$ 4,258,797	\$ 4,017,445	\$ 241,352
Transportation safety commission	1,500	1,525	1,523	2
Total law enforcement and traffic control	\$ 4,022,097	\$ 4,260,322	\$ 4,018,968	\$ 241,354
Fire and Rescue Services:				
Fire services	\$ 2,084,070	\$ 2,165,576	\$ 2,188,640	\$ (23,064)
Emergency medical services	198,988	233,549	227,283	6,266
Total fire and rescue services	\$ 2,283,058	\$ 2,399,125	\$ 2,415,923	\$ (16,798)
Correction and Detention:				
Sheriff -corrections	\$ 2,839,440	\$ 2,868,154	\$ 2,971,516	\$ (103,362)
Sheriff -jail annex	156,830	157,972	171,232	(13,260)
Probation office	322,385	322,385	330,834	(8,449)
Total correction and detention	\$ 3,318,655	\$ 3,348,511	\$ 3,473,582	\$ (125,071)
Inspections:				
Building and other	\$ 227,926	\$ 231,981	\$ 225,218	\$ 6,763
Other Protection:				
Safety	\$ 113,030	\$ 120,913	\$ 102,622	\$ 18,291
Total public safety	\$ 9,964,766	\$ 10,360,852	\$ 10,236,313	\$ 124,539
Public Works:				
Maintenance of highways, streets, bridges and sidewalks:				
Director of public works	\$ 133,487	\$ 133,487	\$ 132,289	\$ 1,198
Engineering	85,912	85,912	87,336	(1,424)
Street maintenance	2,432,126	2,672,410	2,642,050	30,360
Street marking and signs	190,157	191,875	203,113	(11,238)
Traffic signals	392,871	392,871	418,648	(25,777)

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2019 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Public Works: (Continued)				
Maintenance of highways, streets, bridges and sidewalks: (Continued)				
Street cleaning	\$ 366,580	\$ 369,075	\$ 358,366	\$ 10,709
VDOT reserve	-	242,467	60,079	182,388
Street construction	253,462	253,462	267,829	(14,367)
Total maintenance of highways, streets, bridges and sidewalks	\$ 3,854,595	\$ 4,341,559	\$ 4,169,710	\$ 171,849
Maintenance of buildings and grounds:				
Uptown maintenance	\$ 56,230	\$ 56,230	\$ 61,073	\$ (4,843)
City hall maintenance	443,951	443,951	441,540	2,411
Warehouse / garage complex	105,550	105,550	105,794	(244)
WPBDC building	55,800	59,560	56,914	2,646
Housing services building	1,570	1,570	-	1,570
Chief Tassel building	-	-	2,777	(2,777)
Total maintenance of buildings and grounds	\$ 663,101	\$ 666,861	\$ 668,098	\$ (1,237)
Total public works	\$ 4,517,696	\$ 5,008,420	\$ 4,837,808	\$ 170,612
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	\$ 622,748	\$ (422,748)
Regional social services board	397,099	397,099	349,886	47,213
Total welfare/social services	\$ 597,099	\$ 597,099	\$ 972,634	\$ (375,535)
Total health and welfare	\$ 853,625	\$ 853,625	\$ 1,229,160	\$ (375,535)
Education:				
Contributions to community colleges	\$ 19,835	\$ 19,835	\$ 19,835	\$ -
Contributions to School Board Component Unit	6,427,640	6,427,640	6,144,512	283,128
Total education	\$ 6,447,475	\$ 6,447,475	\$ 6,164,347	\$ 283,128

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2019 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Parks, Recreation, and Cultural:				
Parks and recreation:				
Parks & Recreation	\$ 94,240	\$ 94,240	\$ 52,135	\$ 42,105
Park maintenance	250,238	245,938	225,987	19,951
Hooker field/Mustangs	53,024	57,324	63,730	(6,406)
Senior services	172,338	181,654	182,442	(788)
Total parks and recreation	\$ 569,840	\$ 579,156	\$ 524,294	\$ 54,862
Library:				
Regional library	\$ 295,308	\$ 295,308	\$ 295,308	\$ -
Total parks, recreation and cultural	\$ 865,148	\$ 874,464	\$ 819,602	\$ 54,862
Community Development:				
Planning and Community Development:				
Community Development	\$ 219,908	\$ 329,392	\$ 263,972	\$ 65,420
Community Development - Brownfields	-	183,734	183,734	-
Telecom system	1,713,263	1,744,271	1,762,373	(18,102)
Planning and zoning	143,781	149,184	92,961	56,223
Contributions to local organizations	779,070	779,070	756,877	22,193
Total planning and community development	\$ 2,856,022	\$ 3,185,651	\$ 3,059,904	\$ 125,747
Cooperative Extension Program:				
Horticulture and family resources	\$ 7,756	\$ 7,756	\$ 7,756	\$ -
Total community development	\$ 2,863,778	\$ 3,193,407	\$ 3,067,660	\$ 125,747
Total General Fund	\$ 32,275,719	\$ 33,612,009	\$ 32,898,404	\$ 713,605
Special Revenue Funds:				
City Grants Fund:				
Community Development:				
Community development block grant	\$ 300	\$ 64,835	\$ 53,147	\$ 11,688
Total City Grants Fund	\$ 300	\$ 64,835	\$ 53,147	\$ 11,688
Total Special Revenue Funds	\$ 300	\$ 64,835	\$ 53,147	\$ 11,688

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2019 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Capital Projects Funds:				
Capital Reserve Fund:				
General Government Administration:				
Computer software - Commissioner of the Revenue	\$ -	\$ 10,852	\$ 10,852	\$ -
Computer software - information services	75,000	154,442	121,131	33,311
Physical plant expansion - City Hall	20,000	24,116	29,045	(4,929)
Physical plant expansion - Schools	-	222,965	155,955	67,010
Registrar - equipment	79,000	79,000	74,473	4,527
Total general government administration	\$ 174,000	\$ 491,375	\$ 391,456	\$ 99,919
Public Safety:				
Police department - motor vehicles	\$ 96,000	\$ 96,000	\$ 80,395	\$ 15,605
Computer hardware / software - Police	39,853	39,853	24,138	15,715
Fire department - motor vehicles	35,000	42,071	41,961	110
Sheriff/Jail - motor vehicles	92,000	117,051	112,765	4,286
EMS - motor vehicles	32,500	32,500	32,500	-
Major tools and equipment - Police department	35,648	35,648	35,648	-
Physical plant expansion - Fire department	40,965	255,960	207,337	48,623
Physical plant expansion - Sheriff / Jail	124,619	327,207	399,561	(72,354)
Total public safety	\$ 496,585	\$ 946,290	\$ 934,305	\$ 11,985
Public Works:				
Street maintenance - motor vehicles	\$ 92,000	\$ 92,000	\$ 79,133	\$ 12,867
Major tools and equipment - street maintenance	-	34,494	16,244	18,250
Physical plant expansion - Warehouse complex	-	18,000	18,150	(150)
Total public works	\$ 92,000	\$ 144,494	\$ 113,527	\$ 30,967
Parks, Recreation, and Cultural:				
Parks and recreation:				
Physical plant expansion - senior services	\$ 8,000	\$ 8,000	\$ -	\$ 8,000
Park maintenance	32,020	35,280	33,200	2,080
Total parks, recreation and cultural	\$ 40,020	\$ 43,280	\$ 33,200	\$ 10,080
Community Development:				
TROF grant repayment	\$ -	\$ 120,000	\$ 120,000	\$ -
Total community development	\$ -	\$ 120,000	\$ 120,000	\$ -
Debt service:				
Principal retirement	\$ 229,600	\$ 229,600	\$ 229,600	\$ -
Interest and other debt costs	26,816	26,816	26,816	-
Total debt service	\$ 256,416	\$ 256,416	\$ 256,416	\$ -
Total Capital Reserve Fund	\$ 1,059,021	\$ 2,001,855	\$ 1,848,904	\$ 152,951

Governmental Funds and Discretely Presented Component Unit - School Board
 Schedule of Expenditures - Budget and Actual
 For the Year Ended June 30, 2019 (Continued)

Fund, Function, Activity and Elements	Original Budget	Budget As Amended	Actual	Variance From Final Budget Positive (Negative)
Primary Government: (Continued)				
Capital Projects Funds: (Continued)				
Meals Tax Fund:				
General Government Administration:				
Meals tax administration	\$ 52,640	\$ 52,640	\$ 52,640	\$ -
Debt service:				
Principal retirement	\$ 1,036,124	\$ 1,036,124	\$ 1,036,124	\$ -
Interest and other debt costs	485,792	485,792	485,792	-
Total debt service	\$ 1,521,916	\$ 1,521,916	\$ 1,521,916	\$ -
Total Meals Tax Fund	\$ 1,574,556	\$ 1,574,556	\$ 1,574,556	\$ -
Total Capital Projects Funds	\$ 2,633,577	\$ 3,576,411	\$ 3,423,460	\$ 152,951
Total Expenditures - Primary Government	\$ 34,909,596	\$ 37,253,255	\$ 36,375,011	\$ 878,244
Component Unit - School Board				
School Operating Fund:				
Education:				
Instruction	\$ 16,260,951	\$ 16,690,129	\$ 15,840,820	\$ 849,309
Administration, attendance and health	1,378,884	1,388,884	1,288,955	99,929
Pupil transportation	1,047,357	1,078,292	1,107,515	(29,223)
Operation and maintenance of school plant	2,504,926	2,643,659	2,603,787	39,872
Technology	1,561,346	1,561,346	1,565,471	(4,125)
Total operating costs	\$ 22,753,464	\$ 23,362,310	\$ 22,406,548	\$ 955,762
Total School Operating Fund	\$ 22,753,464	\$ 23,362,310	\$ 22,406,548	\$ 955,762
School Cafeteria Fund:				
Education:				
School food services	\$ 1,680,362	\$ 1,680,362	\$ 1,663,842	\$ 16,520
School Grants Fund:				
Education:				
Instruction costs	\$ -	\$ 1,945,386	\$ 2,079,305	\$ (133,919)
Total Expenditures - Component Unit - School Board	\$ 24,433,826	\$ 26,988,058	\$ 26,149,695	\$ 838,363

Pledged Revenue Coverage - Water and Sewer Revenue Bonds
For the Years Ended June 30, 2018 through June 30, 2019

Fiscal Year	Gross Revenue (1)		Less Operating Expenses (2)		Net Revenues Available For Debt Service		Debt Service		Coverage
							Principal	Interest	
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.

<u>Section</u>	<u>Description / Table Name</u>	<u>Table Number</u>
<u>Financial Trends</u>		
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
<u>Revenue Capacity</u>		
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
<u>Debt Capacity</u>		
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
<u>Demographic and Economic Statistics</u>		
	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
<u>Operating Information</u>		
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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Net investment in capital assets	\$ 4,986,603	\$ 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
Unrestricted	<u>5,095,384</u>	<u>5,709,696</u>	<u>10,833,837</u>	<u>9,266,186</u>	<u>11,321,289</u>	<u>(4,717,533)</u>	<u>(5,823,340)</u>	<u>(7,197,367)</u>	<u>(9,652,267)</u>	<u>(9,136,286)</u>
Total governmental activities net position	<u>\$ 10,081,987</u>	<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>
Business-type activities:										
Net investment in capital assets	\$ 14,419,532	\$ 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
Unrestricted	<u>7,012,823</u>	<u>7,017,111</u>	<u>8,058,407</u>	<u>10,467,030</u>	<u>9,385,092</u>	<u>6,106,918</u>	<u>4,335,678</u>	<u>9,186,299</u>	<u>6,855,519</u>	<u>6,529,974</u>
Total business-type activities net position	<u>\$ 21,432,355</u>	<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>
Primary government										
Net investment in capital assets	\$ 19,406,135	\$ 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
Unrestricted	<u>12,108,207</u>	<u>12,726,807</u>	<u>18,892,244</u>	<u>19,733,216</u>	<u>20,706,381</u>	<u>1,389,385</u>	<u>(1,487,662)</u>	<u>1,988,932</u>	<u>(2,796,748)</u>	<u>(2,606,312)</u>
Total primary government	<u>\$ 31,514,342</u>	<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>

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)

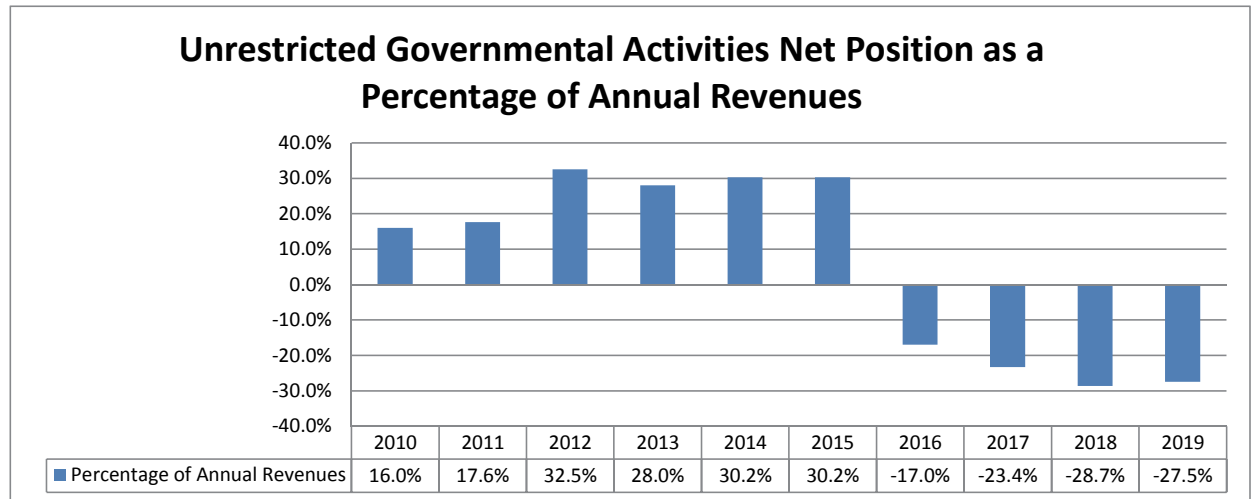
	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:										
Governmental activities:										
General government administration	\$ 4,093,661	\$ 3,814,802	\$ 3,637,285	\$ 3,632,201	\$ 3,652,928	\$ 3,800,766	\$ 4,612,205	\$ 3,245,979	\$ 3,201,860	\$ 3,431,098
Judicial administration	1,885,494	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
Public safety	9,472,187	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
Public works	4,304,621	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
Health and welfare	1,292,705	606,262	563,668	748,961	679,779	674,858	770,780	859,053	960,166	1,114,250
Education	6,778,437	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
Parks, recreation, and cultural	1,149,286	1,340,515	1,254,795	1,085,674	1,044,516	930,080	941,835	923,286	883,520	855,335
Community development	3,755,520	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
Interest and other fiscal charges	402,996	348,232	395,761	488,284	688,152	616,888	216,619	184,109	153,162	126,708
Total governmental activities expenses	\$ 33,134,907	\$ 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
Business-type activities:										
Electric	16,432,597	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
Water	1,874,519	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
Sewer	2,996,728	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
Refuse collection / landfill	1,138,147	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
Total business-type activities expenses	\$ 22,441,991	\$ 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
Total primary government expenses	\$ 55,576,898	\$ 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
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 143,120	\$ 191,123	\$ 186,019	\$ 210,744	\$ 27,323	\$ 71,257	\$ 58,315	\$ 54,221	\$ 54,132	\$ 52,714
Judicial administration	273,737	202,053	209,709	215,326	177,396	220,001	170,680	199,722	216,855	209,082
Public safety	421,844	509,000	599,126	603,156	502,374	556,608	533,667	557,825	570,985	638,338
Public works	109,045	24,000	24,000	24,000	24,000	367,457	1,239,954	1,327,920	1,483,813	1,572,827
Parks, recreation, and cultural	162,368	139,931	148,883	51,468	224,677	13,847	10,735	12,162	12,589	3,825
Operating grants and contributions:										
General government administration	234,313	277,056	423,555	275,042	310,483	230,355	228,325	218,070	230,181	233,651
Judicial administration	736,621	713,051	719,769	721,469	738,874	766,853	789,944	793,561	808,053	828,856
Public safety	3,397,090	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
Public works	2,625,314	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
Health and welfare	23,973	-	51,227	146,616	106,284	107,481	171,032	201,601	241,134	373,462
Parks, recreation, and cultural	21,545	36,342	34,633	29,024	34,111	27,393	31,257	43,729	34,468	32,786
Community development	2,280,439	2,081,905	2,179,828	1,816,471	3,566,872	1,840,583	884,321	474,766	184,155	43,759
Capital grants and contributions	590,000	-	-	2,051,086	1,900,918	1,099,371	2,641	199,426	327,400	755,137
Total governmental activities program revenues	\$ 11,019,409	\$ 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

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business-type activities:										
Charges for services:										
Electric	\$ 16,624,330	\$ 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
Water	2,912,964	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
Sewer	3,763,519	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
Refuse collection / landfill	1,698,501	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
Capital grants and contributions	-	-	1,878,298	-	15,894	-	-	-	-	1,000,000
Total business-type activities program revenues	\$ 24,999,314	\$ 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
Total primary government program revenues	\$ 35,808,928	\$ 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
Net (expense) / revenue										
Governmental activities	\$ (20,873,429)	\$ (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)
Business-type activities	2,380,632	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
Total primary government net expense	\$ (18,492,797)	\$ (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)
General Revenues and Other Changes in Net Position										
Governmental activities:										
General property taxes	\$ 9,036,094	\$ 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
Local sales and use taxes	1,759,239	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
Consumer utility taxes	718,563	710,361	695,041	684,046	669,664	678,862	654,989	640,608	656,804	606,852
Business license taxes	1,676,826	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
Meals tax	1,390,907	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
Other local taxes	1,738,173	816,634	878,807	787,788	838,603	895,763	884,145	925,346	961,884	1,041,265
Grants and contributions not restricted to specific programs	695,066	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
Unrestricted revenues from use of money and property	714,804	612,256	725,358	684,989	925,705	649,438	958,834	1,024,325	1,225,674	1,326,137
Miscellaneous	374,241	916,783	510,730	263,000	403,029	243,521	249,786	258,851	349,751	361,768
Transfers	2,803,021	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
Total governmental activities	\$ 20,906,934	\$ 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
Business-type activities:										
Transfers	\$ (2,803,021)	\$ (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)
Unrestricted revenues from use of money and property	14,364	38,698	30,599	26,213	25,930	23,386	28,619	27,061	27,638	23,386
Miscellaneous	-	-	-	-	-	-	-	-	15,195	-
Total business-type activities	\$ (2,788,657)	\$ (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)
Total primary government	\$ 18,118,277	\$ 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
Change in Net Position										
Governmental activities	\$ (1,208,565)	\$ 4,696,797	\$ 2,644,943	\$ 675,175	\$ 1,579,241	\$ (409,888)	\$ 2,633,888	\$ (999,265)	\$ 744,258	\$ 1,719,984
Business-type activities	(231,334)	2,530,139	4,031,245	88,011	273,294	363,858	(1,021,295)	4,212,662	(42,767)	2,749,760
Total primary government	\$ (1,439,899)	\$ 7,226,936	\$ 6,676,188	\$ 763,186	\$ 1,852,535	\$ (46,030)	\$ 1,612,593	\$ 3,213,397	\$ 701,491	\$ 4,469,744

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)

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Business License Taxes	Meals Taxes	Other Local Taxes	Total
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
2010	9,036,094	1,759,239	718,563	1,676,826	1,390,907	1,738,173	16,319,802

CITY OF MARTINSVILLE, VIRGINIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General fund					
Unreserved, designated	\$ 154,099	\$ -	\$ -	\$ -	-
Unreserved, undesignated	2,090,139	-	-	-	-
Nonspendable	-	512,136	795,619	841,646	993,900
Committed	-	1,690,400	1,690,400	1,698,115	2,043,941
Assigned	-	154,099	154,099	154,099	25,000
Unassigned	-	774,240	4,734,167	4,535,327	4,568,620
Total general fund	<u>\$ 2,244,238</u>	<u>\$ 3,130,875</u>	<u>\$ 7,374,285</u>	<u>\$ 7,229,187</u>	<u>7,631,461</u>
All other governmental funds					
Unreserved, reported in:					
Special revenue funds (deficit)	\$ (230,984)	\$ -	\$ -	\$ -	-
Capital projects funds	1,171,520	-	-	-	-
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
Assigned, reported in:					
Capital projects funds	-	1,196,779	705,957	318,876	1,260,911
Special revenue funds	-	-	-	-	-
Unassigned, reported in:					
Special revenue funds (deficit)	-	(587,971)	(583,105)	(592,879)	(23,767)
Total all other governmental funds	<u>\$ 940,536</u>	<u>\$ 770,790</u>	<u>\$ 10,456,507</u>	<u>\$ 2,489,815</u>	<u>1,823,533</u>
Total governmental funds	<u>\$ 3,184,774</u>	<u>\$ 3,901,665</u>	<u>\$ 17,830,792</u>	<u>\$ 9,719,002</u>	<u>9,454,994</u>

Note: Fund balance classifications changed starting in fiscal year 2011 when the City implemented GASB 54.

Table 5

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
759,894	1,123,501	1,205,350	1,202,606	1,198,249
2,267,064	1,218,099	1,820,414	851,339	712,456
25,000	25,000	-	-	-
<u>4,122,660</u>	<u>4,401,718</u>	<u>3,031,355</u>	<u>4,660,378</u>	<u>4,331,449</u>
\$ <u><u>7,174,618</u></u>	\$ <u><u>6,768,318</u></u>	\$ <u><u>6,057,119</u></u>	\$ <u><u>6,714,323</u></u>	\$ <u><u>6,242,154</u></u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
53,123	-	-	-	-
1,523,314	1,424,363	798,619	1,165,244	534,861
-	3,381	109,148	50,595	70,345
<u>(53,031)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u><u>1,523,406</u></u>	\$ <u><u>1,427,744</u></u>	\$ <u><u>907,767</u></u>	\$ <u><u>1,215,839</u></u>	\$ <u><u>605,206</u></u>
\$ <u><u>8,698,024</u></u>	\$ <u><u>8,196,062</u></u>	\$ <u><u>6,964,886</u></u>	\$ <u><u>7,930,162</u></u>	\$ <u><u>6,847,360</u></u>

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Fund Balance Summary
Year Ended June 30, 2019
(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.

	General Fund	City Grants Fund	Capital Reserve Fund	Meals Tax Fund	Total
Nonspendable:					
Inventory	\$ 1,198,249	\$ -	\$ -	\$ -	\$ 1,198,249
Committed to:					
General Gov't Administration	22,775	-	-	-	22,775
Judicial Administration	8,798	-	-	-	8,798
Public Safety	315,619	-	-	-	315,619
Public Works	119,871	-	-	-	119,871
Education	159,233	-	-	-	159,233
Community development	86,160	-	-	-	86,160
Assigned to:					
Capital reserve fund	-	-	59,500	-	59,500
Special revenue fund	-	70,345	-	-	70,345
Meals tax fund	-	-	-	475,361	475,361
Unassigned	4,331,449	-	-	-	4,331,449
Total fund balance	<u>\$ 6,242,154</u>	<u>\$ 70,345</u>	<u>\$ 59,500</u>	<u>\$ 475,361</u>	<u>\$ 6,847,360</u>

CITY OF MARTINSVILLE, VIRGINIA

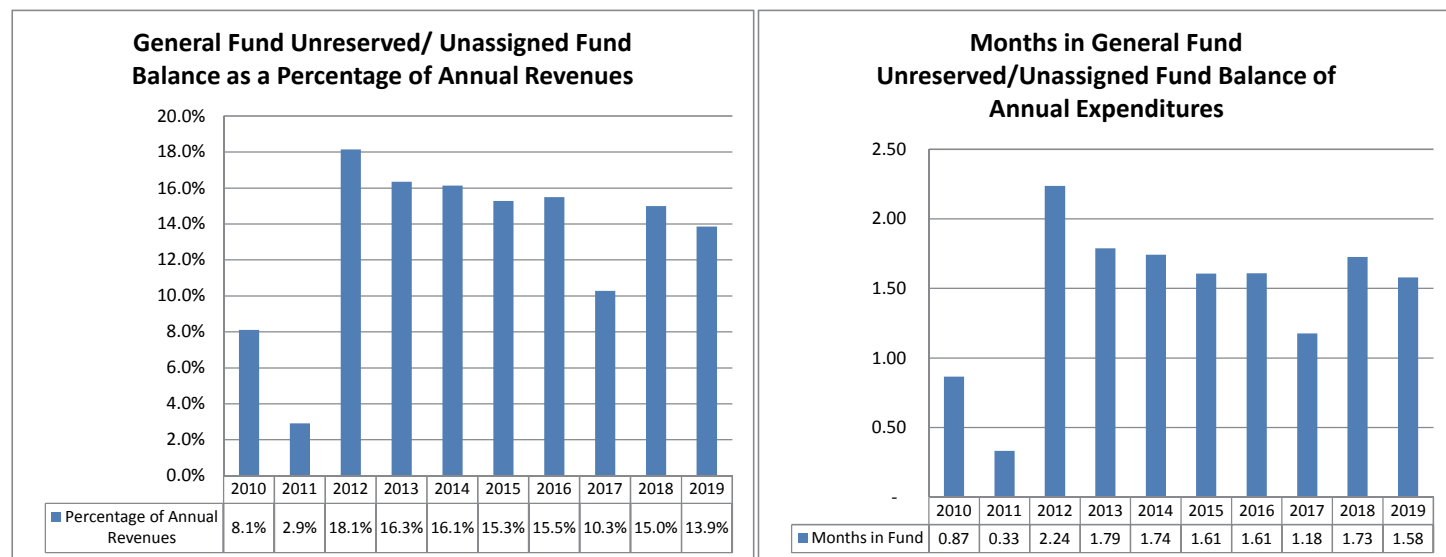
Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	2010	2011	2012	2013
Revenues:				
General property taxes	\$ 9,080,208	\$ 8,941,108	\$ 8,622,900	\$ 8,760,993
Other local taxes	6,345,922	6,794,798	6,621,038	6,680,403
Permits, privilege fees and regulatory licenses	560,910	505,375	594,763	145,833
Fines and forfeitures	172,344	151,231	163,118	164,533
Revenue from use of money and property	714,804	612,256	725,358	684,989
Charges for services	376,859	409,501	409,856	794,328
Miscellaneous	374,241	938,783	510,730	263,000
Recovered costs	1,077,895	974,492	1,126,724	991,218
Intergovernmental:				
Commonwealth	8,968,309	9,079,756	8,840,678	8,927,696
Federal	2,573,838	2,321,181	2,939,213	4,259,593
Total revenues	\$ 30,245,330	\$ 30,728,481	\$ 30,554,378	\$ 31,672,586
Expenditures:				
General government administration	\$ 4,769,772	\$ 4,320,113	\$ 5,501,331	\$ 4,745,980
Judicial administration	1,885,975	1,887,939	1,917,844	1,983,255
Public safety	9,399,480	9,005,610	9,046,810	9,579,378
Public works	4,141,317	4,084,984	3,993,552	6,637,533
Health and welfare	1,396,264	627,135	604,746	792,657
Education	6,039,577	5,697,421	3,638,582	12,477,628
Parks, recreation, and cultural	1,165,186	1,500,498	1,218,913	1,068,617
Community development	4,173,213	4,066,774	3,474,873	3,817,336
Debt service:				
Principal retirement	1,251,510	1,188,028	1,207,842	1,167,732
Interest and other fiscal charges	389,116	369,380	582,396	717,951
Total expenditures	\$ 34,611,410	\$ 32,747,882	\$ 31,186,889	\$ 42,988,067
Excess (deficiency) of revenues over expenditures	\$ (4,366,080)	\$ (2,019,401)	\$ (632,511)	\$ (11,315,481)
Other financing sources (uses):				
Issuance of debt	\$ 340,000	\$ -	\$ 10,550,000	\$ 460,000
Insurance recoveries	-	-	-	-
Transfers in	3,096,834	2,957,692	4,256,202	3,062,864
Transfers (out)	(293,813)	(221,400)	(244,564)	(319,173)
Total other financing sources (uses)	\$ 3,143,021	\$ 2,736,292	\$ 14,561,638	\$ 3,203,691
Net changes in fund balances	\$ (1,223,059)	\$ 716,891	\$ 13,929,127	\$ (8,111,790)
Debt service as a percentage of noncapital expenditures	4.88%	4.79%	5.81%	5.81%

Table 7

	2014	2015	2016	2017	2018	2019
\$	8,683,569	\$ 9,083,158	\$ 8,745,402	\$ 8,877,122	\$ 9,180,279	\$ 9,136,565
	6,917,566	6,768,313	7,005,652	7,121,375	7,376,919	7,554,516
	83,931	94,162	100,068	93,979	56,503	93,318
	126,049	174,262	109,396	140,171	170,759	139,591
	925,705	649,438	958,834	1,144,249	1,225,674	1,332,679
	745,790	960,746	1,803,887	1,917,701	2,111,112	2,243,877
	403,029	243,521	249,786	258,852	349,751	361,768
	1,041,507	1,490,324	1,735,766	2,108,095	2,173,575	2,108,652
	9,150,812	9,827,014	9,746,076	9,231,666	9,825,527	10,014,169
	5,553,851	2,206,202	939,421	1,541,438	1,022,020	966,733
	<u>33,631,809</u>	<u>\$ 31,497,140</u>	<u>\$ 31,394,288</u>	<u>\$ 32,434,648</u>	<u>\$ 33,492,119</u>	<u>\$ 33,951,868</u>
	4,284,558	\$ 4,633,537	\$ 6,277,216	\$ 4,042,520	\$ 4,019,965	\$ 4,585,789
	2,164,763	2,144,310	2,319,579	2,293,175	2,332,335	2,401,821
	9,845,689	9,712,097	10,320,222	10,131,848	9,992,439	11,170,618
	6,098,946	4,403,469	4,639,584	4,775,364	5,997,499	4,951,335
	720,419	725,947	812,079	874,554	993,510	1,229,160
	7,341,781	6,587,543	5,957,670	6,267,041	6,170,116	6,164,347
	1,027,633	1,185,463	927,402	861,036	837,001	852,802
	5,035,599	4,932,864	3,447,169	3,293,876	3,199,403	3,240,807
	2,913,705	1,243,918	1,271,763	1,305,581	1,338,158	1,265,724
	<u>722,325</u>	<u>631,509</u>	<u>603,532</u>	<u>570,908</u>	<u>537,956</u>	<u>512,608</u>
	<u>40,155,418</u>	<u>\$ 36,200,657</u>	<u>\$ 36,576,216</u>	<u>\$ 34,415,903</u>	<u>\$ 35,418,382</u>	<u>\$ 36,375,011</u>
	<u>(6,523,609)</u>	<u>(4,703,517)</u>	<u>(5,181,928)</u>	<u>(1,981,255)</u>	<u>(1,926,263)</u>	<u>(2,423,143)</u>
	1,752,000	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	171,197
	5,357,541	4,440,920	5,191,579	1,845,097	3,479,752	1,935,368
	<u>(849,940)</u>	<u>(494,373)</u>	<u>(511,611)</u>	<u>(1,095,018)</u>	<u>(588,213)</u>	<u>(766,224)</u>
	<u>6,259,601</u>	<u>\$ 3,946,547</u>	<u>\$ 4,679,968</u>	<u>\$ 750,079</u>	<u>\$ 2,891,539</u>	<u>\$ 1,340,341</u>
	<u>(264,008)</u>	<u>(756,970)</u>	<u>(501,960)</u>	<u>(1,231,176)</u>	<u>965,276</u>	<u>(1,082,802)</u>
	<u>10.02%</u>	<u>5.32%</u>	<u>5.27%</u>	<u>5.61%</u>	<u>5.43%</u>	<u>5.11%</u>

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.

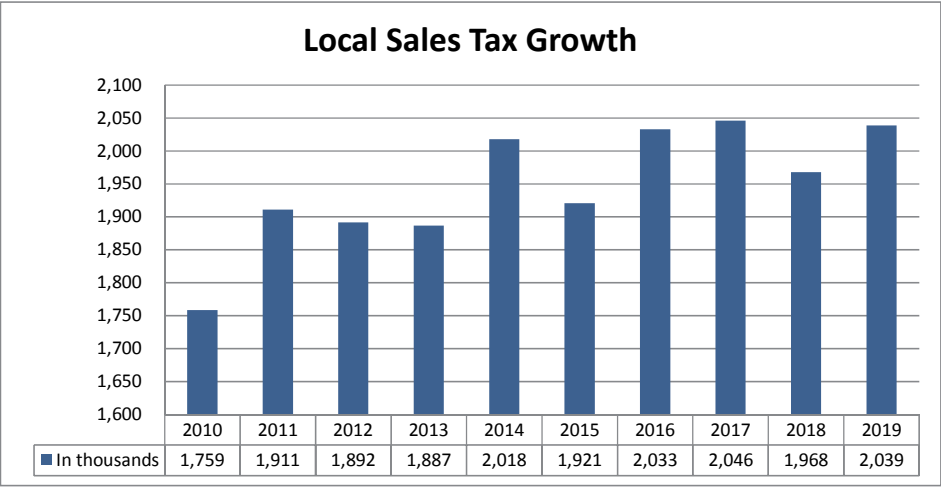
Note:

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)

Fiscal Year	General Property Taxes	Local Sales and Use Taxes	Consumer Utility Taxes	Business License Taxes	Meals Taxes	Communications Taxes	Other Local Taxes	Total
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, 2019

	Electric Fund	Water Fund	Sewer Fund	Refuse Collection/ Landfill Fund	Total
Net Position at June 30, 2019	\$ 14,761,344	\$ 7,930,518	\$ 4,946,948	\$ 3,587,289	\$ 31,226,099
Less capital assets	(16,057,840)	(7,870,819)	(21,842,664)	(3,078,483)	(48,849,806)
Add current portion of long-term obligations	266,369	174,786	658,508	119,535	1,219,198
Add noncurrent portion of long-term obligations	5,224,666	3,055,949	17,991,520	4,545,559	30,817,694
Less compensated absences	(53,686)	(37,862)	(69,403)	(17,668)	(178,619)
Less net pension liability	(928,639)	(626,607)	(1,382,261)	(331,276)	(3,268,783)
Less net group life insurance OPEB liability	(52,671)	(32,906)	(73,326)	(17,583)	(176,486)
Less net Pay-as-you-Go OPEB liability	(198,039)	(135,360)	(284,355)	(57,975)	(675,729)
Less landfill closure and post-closure costs	-	-	-	(3,583,594)	(3,583,594)
Unrestricted Net Position at June 30, 2019	<u>\$ 2,961,504</u>	<u>\$ 2,457,699</u>	<u>\$ (55,033)</u>	<u>\$ 1,165,804</u>	<u>\$ 6,529,974</u>

CITY OF MARTINSVILLE, VIRGINIA

Assessed Value of Taxable Property and Tax Rates Last Ten Fiscal Years

Fiscal Year(1)	Real Estate	Personal Property	Machinery and Tools	Public Service Real Estate	Public Service Pers Prop	Total
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
2010	693,122,800	103,067,671	6,124,366	23,411,431	242,044	825,726,268

(1) 100% fair market value.

Source: Commissioner of the Revenue

Table 12

Tax Rates				
<u>Real Estate</u>	<u>Personal Property</u>	<u>Machinery and Tools</u>	<u>Public Service R/E</u>	<u>Public Service P/P</u>
\$ 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
1.08	2.30	1.85	1.08	2

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Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total (1) Tax Levy	Current Tax (1), (3) Collections	Percent of Levy Collected	Delinquent (1) Tax (2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
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 Year	Governmental Activities				
	General Obligation Bonds	General Obligation Notes	State Literary Loans	VPSA Bonds	Capital Leases
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

Business-type Activities			Total Primary Government	Net Bonded Debt per Capita
General Obligation Bonds	Revenue Bonds	Capital Leases		
\$ 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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value	Net Bonded Debt per Capita
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

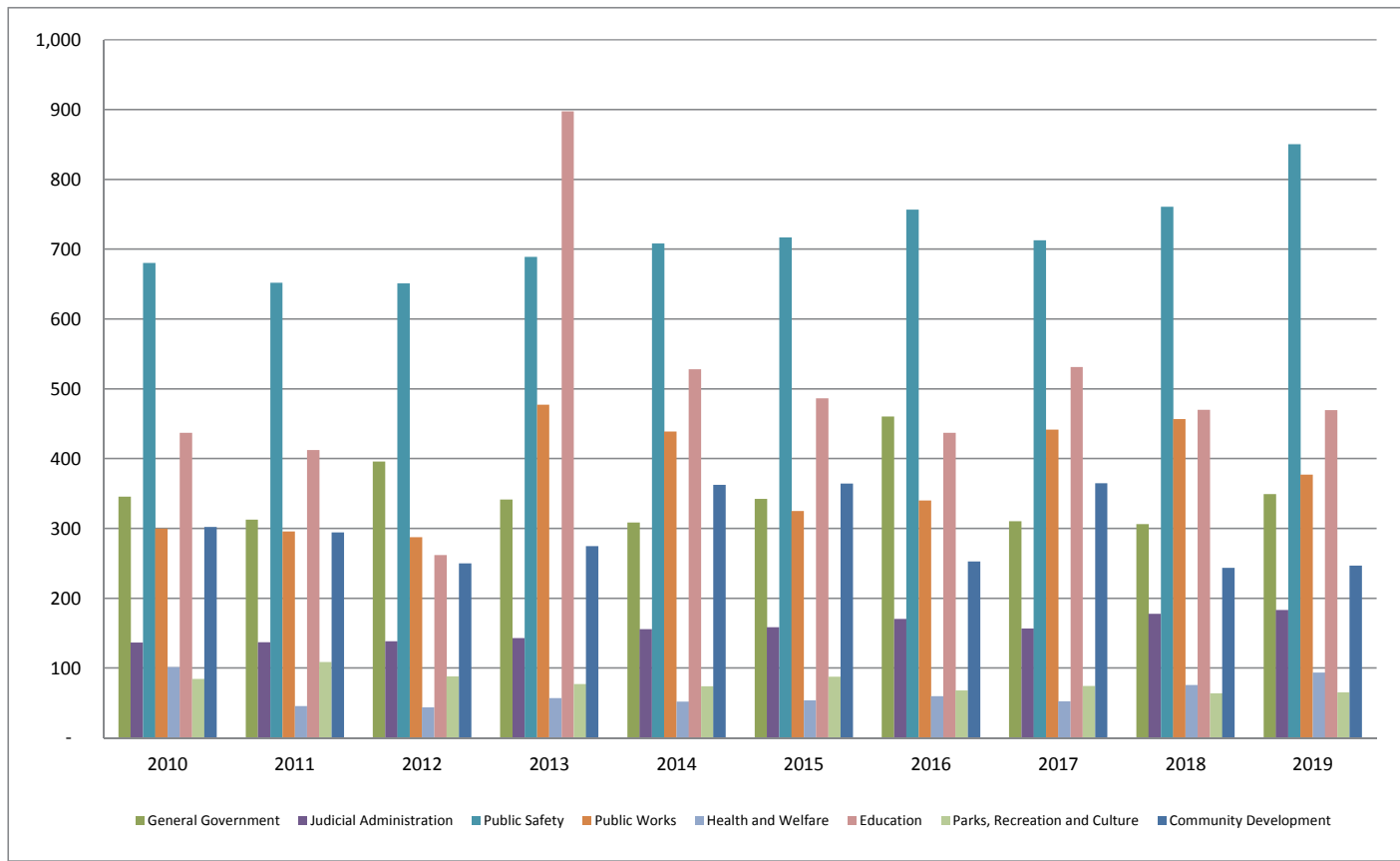
Computation of Direct and Overlapping Bonded Debt
At June 30, 2019

Direct:(1)

City of Martinsville	\$	28,347,447	100%	\$	28,347,447
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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

Fiscal Year	Population (1)	City Per Capita Income (2)	School Enrollment (3)	Unemploy- ment Rate (4)	Personal Income In Thousands (5)
2019	13,422 \$	32,892	1,830	3.80% \$	n/a
2018	13,670	33,545	1,893	5.10%	n/a
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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	23	23	23	24	24	26	22	21	20	20
Public safety										
Police department	55	54	53	54	52	50	56	50	51	51
Fire department	29	29	29	29	29	28	27	27	27	26
Public works										
General maintenance	42	42	42	39	42	40	38	35	37	37
Refuse Collection	4	3	3	3	3	3	3	5	5	5
Engineering	2	2	2	2	2	3	3	3	1	2
Culture and recreation										
Parks and recreation	8	7	7	7	7	7	6	5	6	5
Community development										
Planning	5	4	3	3	3	4	2	3	3	1
Totals	<u>168</u>	<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>

Source: Individual city departments

CITY OF MARTINSVILLE, VIRGINIA

Operating Indicators by Function Last Ten Fiscal Years

		2010	2011	2012	2013
Police Protection	Number of stations	1	1	1	1
	Number of police personnel and officers	56	56	55	55
	Number of law violations:				
	Physical arrests	1,332	1,447	1,677	1,580
	Traffic violations	2,948	2,842	3,389	2,430
Fire Protection	Number of stations	2	2	2	2
	Number of fire personnel and officers	41	43	46	45
	Number of calls answered	2,981	3,136	3,171	2,935
	Number of inspections conducted	50	1,111	1,401	2,006
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	548	555
	Daily average consumption in gallons	2.0 MGD	2.0 MGD	2.0 MGD	1.8 MGD
	Maximum daily capacity of plant in gallons	10.0 MGD	10.0 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	2	3	3	3
	Number of middle schools	1	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	220	237	237

Source: Individual city departments

Table 20

2,014	2015	2016	2017	2018	2019
1	1	1	1	1	1
52	51	53	50	51	51
1,305	1,559	1,394	1,694	2,932	1,994
2,979	3,314	1,772	2,877	3,314	2,786
2	2	2	2	2	2
46	46	42	41	42	40
2,870	3,093	3,041	3,024	3,053	3,602
1,101	790	530	659	581	914
100	100	100	100	100	100
3,300	2,721	2,871	3,175	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	7,300	7,250	7,250	7,250
120	120	120	120	120	120
555	555	555	555	555	555
1.8 MGD	1.8 MGD	1.8 MGD	1.8 MGD	1.8 MGD	1.78 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	6,800
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	4.5 MGD	5.8 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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government										
Administration buildings	6	6	6	6	6	6	6	6	6	6
Vehicles	16	4	4	4	4	4	4	3	3	4
Public safety										
Police department:										
Patrol units	13	9	9	19	21	23	22	26	27	29
Other vehicles*	12	16	16	13	10	13	16	15	17	18
Sheriffs department:										
Patrol units	8	0	10	11	12	12	13	13	13	16
Other vehicles*	12	17	7	8	10	10	10	12	12	12
Fire department:										
Vehicles	15	13	12	12	13	12	12	14	14	16
Building inspections:										
Vehicles	2	2	2	2	2	1	1	1	1	1
Animal control:										
Vehicles	1	1	1	1	1	1	1	1	1	1
Public works										
General maintenance:										
Trucks/vehicles	62	80	80	66	64	60	59	59	60	57
Refuse:										
Vehicles	9	8	9	10	10	10	10	9	10	12
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	7	14	7	12	12	13	12	12	12	12
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	2	1	1	1	1	1	1
Component Unit - School Board										
Education:										
Schools	5	5	5	5	5	5	5	5	5	5
School buses	34	35	28	28	28	30	30	31	33	32
Other vehicles	30	29	27	27	23	23	29	25	26	29

Source: Individual city departments

*Police: includes Admin, CID & K-9

Sheriff: includes Admin, Annex & M/C's

Compliance

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ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

**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***

**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, 2019, 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 18, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 18, 2019



**Independent Auditors' Report on Compliance For Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

**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, 2019. 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, 2019.

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, Farnell, Cox Associates

Charlottesville, Virginia
November 18, 2019

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
For the Year Ended June 30, 2019

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT:			
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Direct payments:</u>			
Highway Planning and Construction	20.205	N/A	\$ 83,235
<u>Pass through payments:</u>			
Highway Safety Cluster:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	FSC-2018-58291-8291 FSC-2019-59103-9103	\$ 4,200
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	K8-2018-58290-8290	2,616
National Priority Safety Programs	20.616	M6OT-2019-59099-9099	6,923
Total Highway Safety Cluster			13,739
Total Department of Transportation			\$ 96,974
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass through payments:</u>			
Department of Social Services:			
Social Services Block Grant	93.667	Unknown	\$ 8,134
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Direct payments:</u>			
Assistance to Firefighters Grants	97.044	N/A	\$ 197,342
<u>Pass through payments:</u>			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	EMP-2017-EP-00006 EMP-2018-EP-00007	17,375
Total Department of Homeland Security			\$ 214,717
<u>DEPARTMENT OF COMMERCE</u>			
<u>Direct payments:</u>			
Investments for Public Works and Economic Development Facilities	11.300	N/A	\$ 1,000,000
<u>APPALACHIAN REGIONAL COMMISSION:</u>			
<u>Direct payments:</u>			
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	N/A	\$ 2,000
<u>ENVIRONMENTAL PROTECTION AGENCY:</u>			
<u>Direct payments:</u>			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	N/A	\$ 67,953
<u>Pass through payments:</u>			
Virginia Resources Authority:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	Unknown	4,491,274
Total Environmental Protection Agency			\$ 4,559,227
<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 Grants in Hawaii	14.228	Unknown	\$ 41,759
<u>DEPARTMENT OF LABOR:</u>			
<u>Pass through payments:</u>			
Department for Aging and Rehabilitative Services:			
Senior Community Service Employment Program	17.235	Unknown	\$ 23,174
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct payments:</u>			
Alcohol, Tobacco, and Firearms Training Assistance	16.012	N/A	\$ 10,277
Bullet Proof Vest Partnership Program	16.607	N/A	18,708
Equitable Sharing Program	16.922	N/A	21,716
<u>Pass through payments:</u>			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	17VAGX0018	84,719
Total Department of Justice			\$ 135,420
Total Primary Government			\$ 6,081,405

Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit
For the Year Ended June 30, 2019 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
COMPONENT UNIT-SCHOOL BOARD:				
<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	\$ 89,409	
Virginia Department of Education:				
National School Lunch Program	10.555	APE40254	943,143	\$ 1,032,552
Virginia Department of Education:				
School Breakfast Program	10.553	APE40253	\$ 384,368	
Summer Food Service Program for Children	10.559	DOE86518	50,016	
Total Child Nutrition Cluster				\$ 1,466,936
Virginia Department of Education:				
Fresh Fruit and Vegetable Program	10.582	APE40252		62,171
Total Department of Agriculture				\$ 1,529,107
<u>DEPARTMENT OF EDUCATION:</u>				
<u>Direct payments:</u>				
Department of Education:				
Adult Education - National Leadership Activities	84.191	N/A		\$ 63,121
<u>Pass through payments:</u>				
Department of Education:				
Title I Grants to Local Educational Agencies	84.010	APE42901		1,163,134
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	APE43071	\$ 564,821	
Special Education - Preschool Grants	84.173	APE62521	3,162	
Total Special Education Cluster				567,983
Career and Technical Education - Basic Grants to States	84.048	APE61095		64,201
English Language Acquisition State Grants	84.365	APE43405		11,412
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	APE61480		141,636
Rural Education	84.358	APE43481		36,995
Student Support and Academic Enrichment Program	84.424	APE60281		95,364
Total Department of Education				\$ 2,143,846
Total Component Unit School Board				\$ 3,672,953
Total Expenditures of Federal Awards				\$ 9,754,358

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, 2019

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, 2019. 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

No awards were passed through to subrecipients.

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	\$ 356,887
Special Revenue Fund:	
City Grants Fund	41,759
Capital Projects Funds:	
Capital Reserve Fund	197,342
Meals Tax Fund	370,745
Sewer Fund	<u>1,000,000</u>
Total primary government	\$ <u>1,966,733</u>

Component Unit School Board:

School Operating Fund	\$ 63,121
School Grants Fund	2,080,725
School Cafeteria Fund	<u>1,529,107</u>
Total component unit school board	\$ 3,672,953

Reconcile federal revenues to expenditures:

Add: Loan proceeds in the Sewer Fund	4,491,274
Less: Joint Law Enforcement Operation Funds (JLEO formerly CFDA 16.111)	(5,857)
Less: Federal tax credit subsidy on QSCB bond	<u>(370,745)</u>

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 9,754,358

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, 2019

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 for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Identification of major programs:	

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553 / 10.555 / 10.559	Child Nutrition Cluster
66.458	Capitalization Grants Clean Water State Revolving Fund
11.300	Investments for Public Works and Economic Development Facilities

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

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.

CITY OF MARTINSVILLE, VIRGINIA

Schedule of Findings and Questioned Costs (Continued) For The Year Ended June 30, 2019

Section IV – Prior Year Findings

2018-001 – Timely Request of Reimbursement for Expenditures Incurred

Condition: The City requested reimbursement in June 2018 for expenditures related to the Community Development Block Grant (CDBG) program that were incurred as far back as January 2016. Additionally, sufficient notice was not given to the City's Finance Department to account for these transactions in the proper fiscal year.

Recommendation: The City should evaluate the controls in place over the CDBG program to ensure that expenditures are being captured in the proper fiscal year and that reimbursement requests are being filed in a timely manner.

Current status: This finding was not present in fiscal year 2019.

2018-002 – Prompt Payment of Bills by Localities

Condition: There were instances where the City was not remitting payment to vendors in a timely manner for goods and services rendered as part of the CDBG program.

Recommendation: The City should evaluate the controls in place over the CDBG program to ensure that vendors are being paid for goods and services rendered in a timely manner.

Current status: This finding was not present in fiscal year 2019.

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